FOREIGN AFFAIRS

JULY/AUGUST 2000

Will Japan Rise Again?

Diana Helweg on the Coming Economic Revolution
Aurelia Mulgan on the Roadblocks to Reform

Nickel and Diming Foreign Policy

RICHARD GARDNER

Colombia's Two-Front War

RAFAEL PARDO

Inventing East Timor

JAMES TRAUB

CHINA: THE FORGOTTEN NUCLEAR POWER

Brad Roberts · Robert Manning · Ronald Montaperto

Plus John Stremlau on How to End Africa's Wars, Philip Gordon on Europe's Defense Ambitions, & Ofra Bengio on Saddam's Family Values

$7.95 IN USA · $10.50 IN CANADA

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FOREIGN AFFAIRS

JULY/AUGUST 2000
VOLUME 79, NUMBER 4

Comments

The One Percent Solution *Richard N. Gardner* 2
A successful U.S. foreign policy cannot be carried out with barely one percent of the federal budget. The next president must end this dangerous charade.

Their Own Army? *Philip H. Gordon* 12
Europe is about to create a unified military force. Done wrong, it could strain transatlantic relations and weaken European defense.

A House United *Paul Heer* 18
Americans often think China's leadership is split between hard-liners and moderates. It is not. The sooner Washington understands that Beijing is unified, the better.

Essays

Japan: A Rising Sun? *M. Diana Helweg* 26
The Japanese economy of old—coddled by an overbearing government and riddled with corruption—is dying. Today Japan is undergoing nothing short of an economic revolution. No longer able to count on bailouts, banks are restructuring. Companies are putting profits ahead of personal loyalties. Reforms are breathing life into decayed industries. And the climate for foreign investment is better than ever. The most important force for change is the wave of small, creative, high-tech companies that have built Japan's very own Silicon Valley. The government's lackluster economic stewardship is no longer important. The state is not driving today's revolution; business is.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Japan: A Setting Sun? *Aurelia George Mulgan* 40

The Asian financial crisis had a side benefit: prodding the Japanese government to fix its economy. But as the sense of urgency eased, so too did the momentum for change. The Liberal Democratic Party, never a true champion of reform, now blocks deregulation from every angle. Wasteful public spending has created little but debt. And the public's trust in its government is all but gone. Recovery would require Japan's politicians to give up the many benefits of the status quo, which they will not do without a fight. So Japan's reforms are stalled permanently. Its economy is, too.

China: The Forgotten Nuclear Power
Brad Roberts, Robert A. Manning, and Ronald N. Montaperto 53

Washington is leaving a crucial piece out of the nuclear puzzle. It will be China, not Russia or any rogue, whose nuclear policy will concern America most in the years ahead. The People's Republic has started to modernize its arsenal, and Western actions will help determine just what form China's force ultimately takes. Before rushing to deploy missile defenses, Washington should consider whether they would solve a problem or create one.

Colombia's Two-Front War *Rafael Pardo* 64

Colombia is waging a war on two fronts: against guerrillas and against drugs. The former cannot be won on the battlefield alone. If the current peace talks fail, the country will plunge into all-out chaos. So the United States needs to take Colombia off the back burner and work with its government to help tamp down the violence, limit the drug lords' clout, lower the demand for drugs abroad, and prod the peace process along. Without these steps, even billions in U.S. aid will not be enough.

Inventing East Timor *James Traub* 74

The world's newest country has become the U.N.'s pet project: an experiment in "nation-building." With its resilient political culture, East Timor is unusually well suited to the project. But the U.N. is finding that governing is harder than separating warring parties—especially when the country has been razed to the ground. And popular resentment is mounting. Rebuilding East Timor physically will be the easy part. Creating a democracy from scratch will be far more difficult.

How Does Saddam Hold On? *Ofra Bengio* 90

For decades, Saddam Hussein's fall has been called imminent. But Saddam has held on because of his ruthless personality, clumsy foes, and mastery of Iraq's military, ruling Baath Party, security apparatus, and powerful clans. His most likely successors are his sons, both apt to be as thuggish as their father. The West should nudge Iraq's battered elites to replace Saddam with a less megalomaniacal autocrat from inside his regime and outside his immediate family. But it should not hold its breath.

The French Exception *Sophie Meunier* 104

Anti-Americanism and a stubborn Gaullist independence in foreign policy have often marked French political discourse. These traits are coming to the fore once again in France's wildly popular antiglobalization movement. Today, a complex mix of political, economic, and cultural reasons explains the French resistance to "Anglo-Saxon global capitalism." If sustained, France's stand could become a model for other countries seeking an alternative to the new, American-style world economy.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ending Africa's Wars *John Stremlau* 117

Despite conflict resolution elsewhere, war still rages unchecked in Africa. But the continent is too important to ignore, so new solutions are needed. The best approach would be to prevent wars before they begin—and the way to do that is for the West to work closely with democratic partners in the region. South Africa is the key to any long-term peacekeeping plan for Africa. Working closely with the United States, Africa's leading democracy can help distribute aid and spread the liberal values that will give the continent a real chance for peace.

Reviews

Globalization in Your Face *Jagdish Bhagwati* 134

A Future Perfect cuts through the complex issues surrounding globalization and shows that global capitalism has a human side as well.

Full Steam Ahead *James D. Robinson III* 140

Fretting about inflation, the Federal Reserve has given in to overkill. Instead, it should let the 1990s economic phenomenon roll on.

Recent Books on International Relations 142

Kenneth Maxwell on the Cuba embargo; Robert Legvold on Vladimir Putin; G. John Ikenberry on *Empire;* Philip Zelikow on U.S. Balkan policy; Stanley Hoffmann on *The Politics of Retribution in Europe;* Gail M. Gerhart on Liberia.

Letters to the Editor 166

Amos Perlmutter reveals Ehud Barak's game plan; John Weston defends U.N. peacekeeping; Governor Howard Dean explains Vermont's sanctions; and others.

The articles in Foreign Affairs *do not represent any consensus of beliefs. We do not expect that readers will sympathize with all the sentiments they find here, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries* Foreign Affairs *can do more to inform American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. We do not accept responsibility for the views expressed in any article, signed or unsigned, that appears in these pages. What we do accept is the responsibility for giving them a chance to appear.*

THE EDITORS

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FOREIGN AFFAIRS

JAMES F. HOGE, JR. *Editor*
Peter G. Peterson Chair
FAREED ZAKARIA *Managing Editor*

GIDEON ROSE *Senior Editor*

Associate Editors
WARREN BASS, HELEN FESSENDEN, JONATHAN D. TEPPERMAN

ROSEMARY HARTMAN *Assistant to the Editor*
ANN HATHAWAY COLEMAN *Assistant to the Managing Editor*
TRACI C. NAGLE *Production Editor*
LORENZ SKEETER *Production Manager*
ROSHNA BALASUBRAMANIAN *Assistant Editor*
PATRICIA JANICE HAMILTON *Editorial Assistant*

Book Reviewers
L. CARL BROWN, ELIOT A. COHEN, RICHARD N. COOPER, GAIL M. GERHART, STANLEY HOFFMANN, G. JOHN IKENBERRY, ROBERT LEGVOLD, KENNETH MAXWELL, LUCIAN W. PYE, PHILIP ZELIKOW

DAVID KELLOGG *Publisher*

DAWN M. TYRRELL *Associate Publisher*
NANCY BARRA *Assistant to the Publisher*
CYNTHIA VOUGHT CAVONE *Circulation Manager*
NINA JOHNS *Circulation Assistant*
JOSEPH A. D'AMICO *Anthology Production Coordinator*
BILL LEDBETTER *Advertising Representative*
LEIGH ANNE YEARY *Advertising Representative*
JAMES COLLINS *Advertising Representative (Washington)*
TARA A. SULLIVAN *Advertising Assistant*

Board of Advisers
KENNETH W. DAM *Chairman*
FOUAD AJAMI, MICHAEL R. BESCHLOSS, LEE CULLUM, JOHN LEWIS GADDIS, LOUIS V. GERSTNER, JR., HENRY A. GRUNWALD, RITA E. HAUSER, JIM HOAGLAND, KAREN ELLIOTT HOUSE, KIRK KRAEUTLER, JOHN J. MEARSHEIMER, RODNEY W. NICHOLS, ELISABETH N. SIFTON, THEODORE C. SORENSEN, JOSHUA L. STEINER, GARRICK UTLEY, ANITA VOLZ WIEN, PAUL D. WOLFOWITZ, PHILIP ZELIKOW

MANUSCRIPTS SHOULD BE SENT TO: 58 East 68th Street, New York, NY 10021. The Editors will consider all manuscripts received but assume no responsibility regarding them and will return only materials accompanied by appropriate postage. Facsimiles and e-mails will not be accepted as final submissions.

SUBSCRIPTIONS: Price for subscriptions, U.S. $44.00, Canada $54.00, other countries via air $79.00 per year. To subscribe, write *Foreign Affairs*, P.O. Box 420235, Palm Coast, FL 32142-0235. To resolve subscription problems, call (800) 829-5539 or e-mail foraff@palmcoastd.com.

Replacement copies are available to subscribers at no charge until the next issue is published. Thereafter, back issues are $12.00 each. GST number 127686483RT.

ADVERTISING: For rates and schedules contact the advertising department, (212) 434-9400.

Foreign Affairs is a member of The Leadership Network. For information, contact Teri Schure, Chairperson, at (212) 982-8880, ext. 110. Fax: (212) 982-6968.

Foreign Affairs is a member of the Audit Bureau of Circulations and the Magazine Publishers of America.

REPRINTS AND PERMISSIONS: Write *Foreign Affairs*, Reader Services, 58 East 68th Street, New York, NY 10021. Fax: (212) 861-2759.

PRINTED IN THE UNITED STATES OF AMERICA

NOTICE: The contents of *Foreign Affairs* are copyrighted. To protect the magazine and its authors against unlawful copying, it is our policy, as provided under U.S. law, to move vigorously against any individual or company engaging in the reproduction or distribution of the contents, by any means, without first obtaining written permission. For prompt action on such requests, please send a fax to the Permissions Dept. at (212) 861-2759. E-mail: ForAff@email.cfr.org.

Foreign Affairs is published six times a year by the Council on Foreign Relations. © 2000.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Comments

A successful U.S. foreign policy cannot be carried out with barely one percent of the budget.

The One Percent Solution *Richard N. Gardner* 2

Their Own Army? Making European Defense Work *Philip H. Gordon* 12

A House United: Beijing's View of Washington *Paul Heer* 18

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The One Percent Solution

Shirking the Cost of World Leadership

Richard N. Gardner

A dangerous game is being played in Washington with America's national security. Call it the "one percent solution"—the fallacy that a successful U.S. foreign policy can be carried out with barely one percent of the federal budget. Unless the next president moves urgently to end this charade, he will find himself in a financial straitjacket that frustrates his ability to promote American interests and values in an increasingly uncertain world.

Ultimately, the only way to end the dangerous one percent solution game is to develop a new national consensus that sees the international affairs budget as part of the national security budget—because the failure to build solid international partnerships to treat the causes of conflict today will mean costly military responses tomorrow. Those who play the one percent solution game do not understand a post–Cold War world in which a host of international problems now affects Americans' domestic welfare, from financial crises and the closing of markets to global warming, AIDS, terrorism, drug trafficking, and the spread of weapons of mass destruction. Solving these problems will require leadership, and that will cost.

MONEY CHANGES EVERYTHING

If this all sounds exaggerated, consider the way the one percent solution game is being played this year, when America has a GDP of nearly $10 trillion and a federal budget of over $1.8 trillion. Secretary of State Madeleine Albright asked the Office of Management and Budget (OMB) for $25 billion in the budget for fiscal year (FY) 2001, which begins October 1, for the so-called 150 Account, which covers the nonmilitary costs of protecting U.S. national security. OMB cut that figure to $22.8 billion to fit President Clinton's commitment to continued fiscal responsibility and limited budgetary growth.

RICHARD N. GARDNER, Of Counsel to Morgan, Lewis, and Bockius and Professor of Law and International Organization at Columbia University, has been U.S. Ambassador to Italy and Spain and Deputy Assistant Secretary of State for International Organization Affairs. Last year, he served on the Secretary of State's Overseas Presence Advisory Panel, which made recommendations on the reform and funding of U.S. diplomacy.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The congressional budget committees cut it further to $20 billion, or $2.3 billion less than the $22.3 billion approved for FY 2000. At the same time, the budget committees raised defense spending authority for FY 2001 to $310.8 billion—$4.5 billion more than the administration requested.

Clinton and Albright strongly protested the congressional cuts. They will undoubtedly protest even more when the appropriations committees of the Senate and the House divide up the meager 150 Account pie into inadequate slices for essential foreign affairs functions. At the end of this congressional session, $1 billion or so of the foreign affairs cuts may be restored if Clinton threatens to veto the appropriation bills—not easy to do in an election year. Of course, the next president could make another familiar move in the one percent solution game—ask for a small supplemental appropriation to restore the previous cuts. But if the past is any guide, Congress will do its best to force the next administration to accommodate most of its supplemental spending within the existing budget. (This year, for instance, Congress resisted additional spending to pay for the U.S. share of multilateral projects such as more U.N. peacekeeping and debt reduction for the poorest countries.)

Even more discouraging for the next president are the projections for the 150 Account that the Clinton administration and the budget committees have presented as spending guidelines until 2005. The president's projected foreign affairs spending request of $24.5 billion for 2005 hardly keeps up with inflation, and the budget committees' target of $20 billion means a decrease of nearly 20 percent from FY 2000, adjusted for inflation. By contrast, the administration's projected defense spending authority goes up to $331 billion in FY 2005; the budget committees' defense projection is comparable. Thus the ratio of military spending to foreign affairs spending would continue to increase in the next few years, rising to more than 16 to 1 .

The percentage of the U.S. budget devoted to international affairs has been declining for four decades. In the 1960s, the 150 Account made up 4 percent of the federal budget; in the 1970s, it averaged about 2 percent; during the first half of the 1990s, it went down to 1 percent, with only a slight recovery in FYs 1999 and 2000. The international affairs budget is now about 20 percent less in today's dollars than it was on average during the late 1970s and the 1980s.

A nation's budget, like that of a corporation or an individual, reflects its priorities. Both main political parties share a broad consensus that assuring U.S. national security in the post–Cold War era requires a strong military and the willingness to use it to defend important U.S. interests and values. The Clinton administration and Congress have therefore supported recent increases in the defense budget to pay for more generous salaries and a better quality of life in order to attract and retain quality personnel; fund necessary research, training, and weapons maintenance; and procure new and improved weapons systems. Politicians and military experts may differ on the utility and cost-effectiveness of particular weapons, but after the catch-up defense increases of the last several years, Washington appears to be on an agreed course to keep the defense budget growing modestly to keep up with the rate of inflation.

Why then, at a time of unprecedented prosperity and budget surpluses, can

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Washington not generate a similar consensus on the need to adequately fund the nonmilitary component of national security? Apparently spending on foreign affairs is not regarded as spending for national security. Compounding the problem is Washington's commendable new commitment to fiscal responsibility after years of huge budget deficits—a commitment reflected in the tight cap that Congress placed on discretionary spending in 1997. Even though that cap is already being violated and will undoubtedly be revised upward this year, the new bipartisan agreement to lock up the Social Security surplus to meet the retirement costs of the baby boomers will continue to make for difficult budget choices and leave limited room for increased spending elsewhere, foreign affairs included.

The non–Social Security surplus—estimated at something more than $700 billion during the decade 2000–2010—will barely cover some modest tax cuts while keeping Medicare solvent and paying for some new spending on health care and education. Fortunately, higher-than-expected GDP growth may add $20–30 billion per year to the non–Social Security surplus, affording some additional budgetary wiggle room. Even so, that windfall could be entirely eaten up by larger tax cuts, more domestic spending, or unanticipated defense budget increases—unless foreign affairs spending becomes a higher priority now.

More money is not a substitute for an effective foreign policy, but an effective foreign policy will simply be impossible without more money. Foreign policy experts therefore disdain "boring budget arithmetic" at their peril.

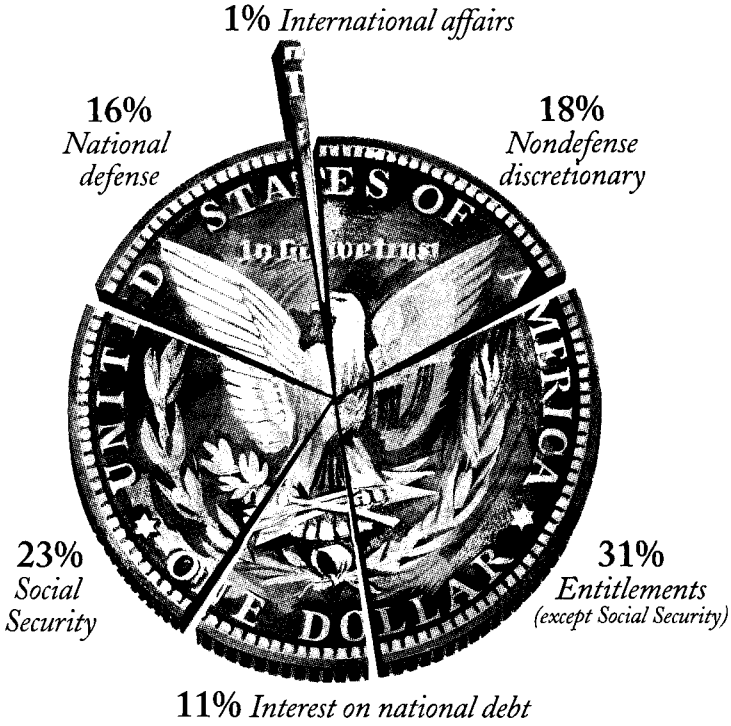
The State Department recently set forth seven fundamental national interests in its foreign affairs strategic plan: national security; economic prosperity and freer trade; protection of U.S. citizens abroad and safeguarding of U.S. borders; the fight against international terrorism, crime, and drug trafficking; the establishment and consolidation of democracies and the upholding of human rights; the provision of humanitarian assistance to victims of crisis and disaster; and finally, the improvement of the global environment, stabilization of world population growth, and protection of human health. This is a sensible list, but in the political climate of today's Washington, few in the executive branch or Congress dare ask how much money will really be required to support it. Rather, the question usually asked is how much the political traffic will bear.

Going on this way will force unacceptable foreign policy choices—either adequate funding for secure embassies and modern communications systems for diplomats or adequate funding for U.N. peacekeeping in Kosovo, East Timor, and Africa; either adequate funding for the Middle East peace process or adequate funding to safeguard nuclear weapons and materials in Russia; either adequate funding for family planning to control world population growth or adequate funding to save refugees and displaced persons. The world's greatest power need not and should not accept a situation in which it has to make these kinds of choices.

THE STATE OF STATE

Ideally, a bipartisan, expert study would tell us what a properly funded foreign affairs budget would look like. In the absence of such a study, consider the following a rough estimate of the increases now required in the two main parts of the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



Note: Figures are estimates for FY 2001.

150 Account. The first part is the State Department budget, which includes not only the cost of U.S. diplomacy but also U.S. assessed contributions to international organizations and peacekeeping. The second part is the foreign operations budget, which includes bilateral development aid, the bilateral economic support fund for special foreign policy priorities, bilateral military aid, and contributions to voluntary U.N. programs and multilateral development banks.

Take State's budget first. The United States maintains 250 embassies and other posts in 160 countries. Far from being rendered less important by the end of the Cold War or today's instant communications, these diplomatic posts and the State Department that directs them are more essential than ever in promoting the seven fundamental U.S. foreign policy interests identified above.

Ambassadors and their staffs have to play multiple roles today—as the "eyes and ears" of the president and secretary of state, advocates for U.S. policies in the upper reaches of the host government, resourceful negotiators, and intellectual, educational, and cultural emissaries in public diplomacy with key interest groups, opinion leaders, and the public at large. As Albright put it in recent congressional testimony, the Foreign Service, the Civil Service, and the foreign nationals serving in U.S. overseas posts contribute daily to the welfare of the American people "through the dangers they help contain; the crimes they help prevent; the deals they help close; the rights they help protect; and the travelers they just plain help."

Following the tragic August 1998 bombings of American embassies in Nairobi and Dar es Salaam, the secretary of state, with the support of the president and Congress, established the Overseas Presence Advisory Panel (OPAP), composed of current and former diplomats and private-sector representatives, to recommend improvements in America's overseas diplomatic establishment. "The United States overseas presence, which has provided the essential underpinnings of U.S. foreign policy for many decades, is near a state of crisis," the panel warned. "Insecure and often decrepit facilities, obsolete information technology, outmoded administrative and human resources practices, poor allocation of resources, and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

competition from the private sector for talented staff threaten to cripple America's overseas capability, with far-reaching consequences for national security and prosperity."

The OPAP report focused more on reforms than on money, but many of its recommendations have price tags. The report called for $1.3 billion per year for embassy construction and security upgrades—probably $100 million too little, since an earlier and more authoritative study by the Accountability Review Boards under former Joint Chiefs of Staff Chair William Crowe proposed $1.4 billion annually for that purpose. OPAP also called for another $330 million over several years to provide unclassified and secure Internet and e-mail information networks linking all U.S. agencies and overseas posts.

Moreover, OPAP proposed establishing an interagency panel chaired by the secretary of state to evaluate the size, location, and composition of America's overseas presence. Visitors who see many people in U.S. embassies often do not realize that the State Department accounts for only 42 percent of America's total overseas personnel; the Defense Department accounts for 37 percent, and more than two dozen other agencies such as the Agency for International Development and the departments of Commerce, Treasury, and Justice make up the rest. If one includes the foreign nationals hired as support staff, State Department personnel in some large U.S. embassies are less than 15 percent of the employees, and many of them are administrators.

The State Department's FY 2001 budget of $6.8 billion provides $3.2 billion for administering foreign affairs. Of that, even after the East Africa bombings, only $1.1 billion will go toward embassy construction and security upgrades, even though $1.4 billion is needed. Moreover, only $17 million is provided for new communications infrastructure, although $330 million is needed. Almost nothing is included to fill a 700-position shortfall of qualified personnel. The State Department therefore requires another $500 million just to meet its minimal needs.

The FY 2001 State Department budget contains a small but inadequate increase—from $204 million in FY 2000 to $225 million—for the educational and cultural exchanges formerly administered by the U.S. Information Agency. Most of this money will go to the Fulbright academic program and the International Visitors Program, which brings future foreign leaders in politics, the media, trade unions, and other nongovernmental organizations (NGOs) to meet with their American counterparts. These valuable and cost-effective exchanges have been slashed from their 1960s and 1970s heights. A near-doubling of these programs' size—with disproportionate increases for exchanges with especially important countries such as Russia and China—would clearly serve U.S. national security interests. A sensible annual budget increase for educational and cultural exchanges would be $200 million.

The budget includes $946 million for assessed contributions to international organizations, of which $300 million is for the U.N. itself and $380 million more is for U.N.-affiliated agencies such as the International Labor Organization, the World Health Organization, the International Atomic Energy Agency, and the war crimes tribunals for Rwanda and the Balkans. Other bodies such as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NATO, the Organization for Economic Cooperation and Development (OECD), and the World Trade Organization (WTO) account for the rest.

Richard Holbrooke, the able American ambassador to the U.N., is currently deep in difficult negotiations to reduce the assessed U.S. share of the regular U.N. budget and the budgets of major specialized U.N. agencies from 25 percent to 22 percent—a precondition required by the Helms-Biden legislation for paying America's U.N. arrears. If Holbrooke succeeds, U.S. contributions to international organizations will drop slightly.

But this reduction will be more than offset by the need to pay for modest U.N. budget increases. The zero nominal growth requirement that Congress slapped on U.N. budgets is now becoming counterproductive. To take just one example, the U.N. Department of Peacekeeping Operations is now short at least 100 staffers, which leaves it ill-prepared to handle the increased number and scale of peacekeeping operations. If Washington could agree to let U.N. budgets rise by inflation plus a percent or two in the years ahead and to channel the increase to programs of particular U.S. interest, America would have more influence and the U.N. would be more effective. Some non-U.N. organizations, such as NATO, the OECD, and the WTO, also require budget increases beyond the rate of inflation to do their jobs properly. Moreover, America should rejoin the U.N. Educational, Scientific, and Cultural Organization (UNESCO), given the growing foreign policy importance of its concerns and the role that new communications technology can play in helping developing countries. The increased annual cost of UNESCO membership ($70 million) and of permitting small annual increases in the U.N.'s and other international organizations' budgets ($30 million) comes to another $100 million.

Selling this will take leadership. In particular, a showdown is brewing with Congress over the costs of U.N. peacekeeping. After reaching a high of 80,000 in 1993 and then dropping to 13,000 in 1998, the number of U.N. peacekeepers is rising again to 30,000 or more as a result of new missions in Kosovo, East Timor, Sierra Leone, and the proposed mission in the Democratic Republic of the Congo (DRC). So the State Department had to ask Congress for $739 million for U.N. peacekeeping in the FY 2001 budget, compared to the $500 million it received in FY 2000. (The White House also requested a FY 2000 budget supplement of $143 million, which has not yet been approved.) But even these sums fall well short of what Washington will have to pay for peacekeeping this year and next. In Kosovo, the mission is seriously underfunded; the U.N. peacekeeping force in southern Lebanon will have to be beefed up after an Israeli withdrawal; and new or expanded missions could be required for conflicts in Sierra Leone, Ethiopia-Eritrea, and the DRC. So total U.N. peacekeeping costs could rise to $3.5–4 billion per year. With the United States paying for 25 percent of peacekeeping (although it is still assessed at the rate of 31 percent, which is unduly high), these new challenges could cost taxpayers at least $200 million per year more than the amount currently budgeted. Washington should, of course, watch the number, cost, and effectiveness of U.N. peacekeeping operations, but the existing and proposed

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Learn Another Language on Your Own!

Learn to speak a foreign language fluently on your own and at your own pace with what are considered the finest in-depth courses available. Many were developed by the Foreign Service Institute of the U.S. Department of State for diplomatic personnel who must learn a language quickly and thoroughly. Emphasis is on learning to speak and to understand the spoken language. A typical course (equivalent to a college semester) includes an album of 10 to 12 audio cassettes (10 to 18 hours), recorded by native speakers, plus a 250-page textbook. You can order now with a full **3-week money-back guarantee**.

- ☐ Albanian $135
- ☐ Amharic $295
- Arabic,
  - ☐ Egyptian $185
  - ☐ Levantine $185
  - ☐ Moroccan $245
  - ☐ Saudi $185
- ☐ Armenian, West $225
- ☐ Bulgarian $265
- ☐ Burmese $135
- ☐ Cantonese $225
- ☐ Catalan $225
- ☐ Chinyanja $225
- ☐ Czech $155
- ☐ Danish $155
- ☐ Dutch $155
- ☐ Estonian $295
- ☐ Finnish $225
- ☐ French I $185
- ☐ French II $215
- ☐ Fula $295
- ☐ German I $185
- ☐ German II $155
- ☐ Greek $185
- ☐ Haitian Creole $225
- ☐ Hausa $255
- ☐ Hawaiian $185
- ☐ Hebrew $255
- ☐ Hungarian $225
- ☐ Igbo $225
- ☐ Italian $185
- ☐ Japanese $185
- ☐ Khmer $245
- ☐ Kirundi $245
- ☐ Korean $225
- ☐ Lakota $185
- ☐ Latin $160
- ☐ Latvian $225
- ☐ Lithuanian $165
- ☐ Mandarin $185
- ☐ Mongolian $225
- ☐ Moré $255
- ☐ Norwegian $135
- ☐ Persian $185
- ☐ Polish $195
- Portuguese,
  - ☐ Brazilian $225
  - ☐ European $155
- ☐ Romanian $135
- ☐ Russian $255
- ☐ Sanskrit $235
- ☐ Serbo-Croatian $225
- ☐ Shona $225
- ☐ Sinhalese $275
- ☐ Slovak $225
- Spanish,
  - ☐ European $125
  - ☐ Latin American I $185
  - ☐ Latin American II $165
- ☐ Swahili $155
- ☐ Swedish $225
- ☐ Tagalog $325
- ☐ Telugu $175
- ☐ Thai $225
- ☐ Tibetan $295
- ☐ Turkish $225
- ☐ Twi $225
- ☐ Ukrainian $225
- ☐ Urdu $195
- ☐ Vietnamese (South) $245
- ☐ Welsh $165
- ☐ Yoruba $295

Also available are these briefer courses consisting of 2 to 4 cassettes plus book or phrase guide:

- ☐ Afrikaans, $22
- ☐ Apache, $65
- ☐ Azerbaijani, $55
- ☐ Basque, $45
- ☐ Bengali, $40
- ☐ Cherokee, $50
- ☐ Choctaw, $50
- ☐ Esperanto, $48
- ☐ Hindi, $40
- ☐ Indonesian, $55
- ☐ Irish, $90
- ☐ Kazakh, $55
- ☐ Kurdish, $45
- ☐ Lebanese, $50
- ☐ Malay, $55
- ☐ Mohawk, $50
- ☐ Navajo, $49
- ☐ Northern Sotho, $22
- ☐ Passamaquoddy, $80
- ☐ Scots Gaelic, $90
- ☐ Southern Sotho, $22
- ☐ Tswana, $22
- ☐ Uzbek, $55
- ☐ Xhosa, $22
- ☐ Yiddish, $22
- ☐ Zulu, $22

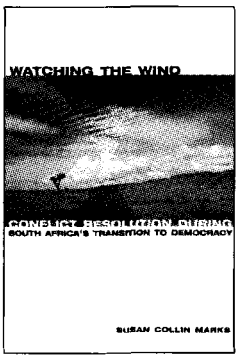
AUDIO-FORUM®
THE LANGUAGE SOURCE

Call **toll-free 1-800-243-1234, toll-free fax 1-888-453-4329,** e-mail: RX706@audioforum.com, or clip this ad and send with your name and address and a check or money order – or charge to any major credit card, by enclosing card number, expiration date, and your signature. Ask for our free 52-page *Whole World Language Catalog* with courses in 101 languages. Our 29th year.

Audio-Forum, Room X706, 96 Broad Street,
Guilford, CT 06437 USA Tel: (203) 453-9794

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

New Books from USIP Press



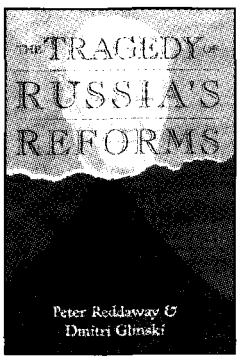
Watching the Wind

Conflict Resolution During South Africa's Transition to Democracy

Susan Collin Marks

Watching the Wind takes us to the front lines of South Africa's struggle to manage the tempestuous transition from apartheid to democracy. With passion and eloquence, the author captures the drama, the personalities, and the heroism of the grassroots peace process.

June 2000 • 256 pp. • 6 x 9 • $14.95 (paper) 1-878379-99-2



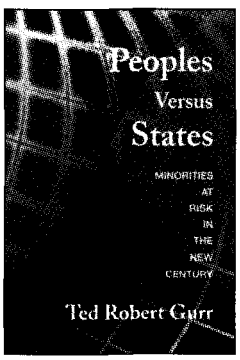
The Tragedy of Russia's Reforms

Market Bolshevism against Democracy

Peter Reddaway and Dmitri Glinski

"A very important and impressive book—the first comprehensive account of post-Soviet Russia. . . . No doubt, this book will become one of the most important statements about the Yeltsin era written in the West."
—Michael McFaul, Carnegie Endowment for International Peace

September 2000 • 750 pp. • 6 x 9
$29.95 (paper) 1-929223-06-4 • $55.00 (cloth) 1-929223-07-2



Peoples versus States

Minorities at Risk in the New Century

Ted Robert Gurr

This volume offers an expanded and updated perspective on ethnic and nationalist conflict throughout the world, as well as efforts to manage it. Gurr surveys the behavior of 275 politically active ethnic groups during the 1990s and pinpoints the factors that encourage the assertion of ethnic identities.

July 2000 • 448 pp. • 6 x 9
$29.95 (paper) 1-929223-02-1 • $55.00 (cloth) 1-929223-03-X
5 appendixes • 14 profiles of individual groups • 40 tables

United States Institute of Peace

To order, call: 1-800-868-8064
or 703-661-1590

www.usip.org

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

operations serve U.S. interests and must be adequately funded.

Add up all these sums and one finds that the State Department budget needs an increase of $1 billion, for a total of $7.8 billion per year.

A DECENT RESPECT

The Clinton administration has asked for $15.1 billion for the foreign operations budget for FY 2001—the second part of the 150 Account. Excluding $3.7 billion for military aid and $1 billion for the Export-Import Bank, that leaves about $10.4 billion in international development and humanitarian assistance. This includes various categories of bilateral aid: $2.1 billion for sustainable development; $658 million for migration and refugee assistance; $830 million to promote free-market democracies and secure nuclear materials in the countries of the former Soviet Union; and $610 million of support for eastern Europe and the Balkans. It also covers about $1.4 billion for multilateral development banks, including $800 million for the International Development Association, the World Bank affiliate for lending to the poorest countries. Another $350 million goes to international organizations and programs such as the U.N. Development Program ($90 million), the U.N. Children's Fund ($110 million), the U.N. Population Fund ($25 million), and the U.N. Environment Program ($10 million).

The $10.4 billion for development and humanitarian aid is just 0.11 percent of U.S. GDP and 0.60 percent of federal budget outlays. This figure is now near record lows. In 1962, foreign aid amounted to $18.5 billion in current dollars, or 0.58 percent of GDP and 3.06 percent of federal spending. In the 1980s, it averaged just over $13 billion a year in current dollars, or 0.20 percent of GDP and 0.92 percent of federal spending. Washington's current 0.11 percent aid-to-GDP share compares unflatteringly with the average of 0.30 percent in the other OECD donor countries. On a per capita basis, each American contributes about $29 per year to development and humanitarian aid, compared to a median of $70 in the other OECD countries. According to the Clinton administration's own budget forecasts, the FY 2001 aid figure of $10.4 billion will drop even further in FY 2005, to $9.7 billion. Congress' low target for total international spending that year will almost certainly cut the FY 2005 aid figure even more.

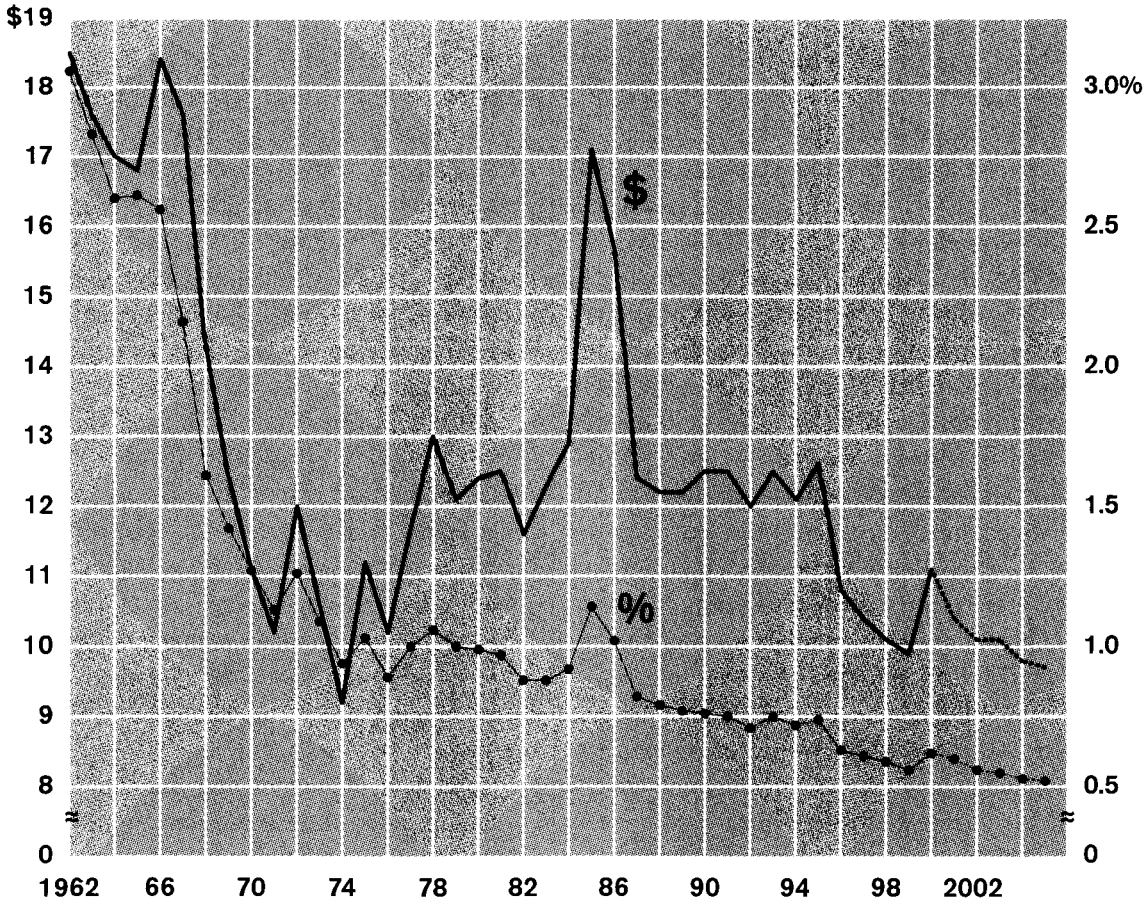
Considering current economic and social trends in the world's poor countries, these low and declining aid levels are unjustifiable. World Bank President James Wolfensohn is right: the global struggle to reduce poverty and save the environment is being lost. Although hundreds of millions of people in the developing world escaped from poverty in recent years, half of the six billion people on Earth still live on less than $2 a day. Two billion are not connected to any energy system. One and a half billion lack clean water. More than a billion lack basic education, health care, or modern birth control methods.

The world's population, which grows by about 75 million a year, will probably reach about 9 billion by 2050; most will live in the world's poorest countries. If present trends continue, we can expect more abject poverty, environmental damage, epidemics, political instability, drug trafficking, ethnic violence, religious fundamentalism, and terrorism. This is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Development Aid Trends, 1962–2005

In billions of constant 2000 dollars and as a percentage of the total U.S. budget



Note: Broken lines indicate estimated figures.
Source: Center on Budget and Policy Priorities analysis of Office of Management and Budget data.

not the kind of world Americans want their children to inherit. The Declaration of Independence speaks of "a decent respect for the opinion of mankind." Today's political leaders need a decent respect for future generations.

To be sure, the principal responsibility for progress in the developing countries rests with those countries themselves. But their commitments to pursue sound economic policies and humane social policies will fall short without more and better-designed development aid—as well as more generous trade concessions—from the United States and its wealthy partners. At the main industrialized nations' summit last year in Birmingham, U.K., the G-8 (the G-7 group of highly industrialized countries plus Russia) endorsed such U.N.-backed goals as halving the number of people suffering from illiteracy, malnutrition, and extreme poverty by 2015.

Beyond these broad goals, America's next president should earmark proposed increases in U.S. development aid for specific programs that promote fundamental American interests and values

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and that powerful domestic constituencies could be mobilized to support. These would include programs that promote clean energy technologies to help fight global warming; combat the spread of diseases such as AIDS, which is ravaging Africa; assure primary education for all children, without the present widespread discrimination against girls; bridge the "digital divide" and stimulate development by bringing information technology and the Internet to schools, libraries, and hospitals; provide universal maternal and child care, as well as family planning for all those who wish to use it, thus reducing unwanted pregnancies and unsafe abortions; support democracy and the rule of law; establish better corporate governance, banking regulations, and accounting standards; and protect basic worker rights.

What would the G-8 and U.N. targets and these specific programs mean for the U.S. foreign operations budget? Answering this question is much harder than estimating an adequate State Department budget. Doing so requires more information on total requirements, appropriate burden-sharing between developed and developing countries, the share that can be assumed by business and NGOs, the absorptive capacity of countries, and aid agencies' ability to handle more assistance effectively.

Still, there are fairly reliable estimates of total aid needs in many areas. For example, the 1994 Cairo Conference on Population and Development endorsed an expert estimate that $17 billion per year is now required to provide universal access to voluntary family planning in the developing world, with $5.7 billion of it to be supplied by developed countries. Were the United States to contribute based on its share of donor-country GDP, U.S. aid in this sector would rise to about $1.9 billion annually. By contrast, U.S. foreign family-planning funding in FY 2000 was only $372 million; the Clinton administration has requested $541 million for FY 2001.

We already know enough about aid requirements in other sectors to suggest that doing Washington's fair share in sustainable-development programs would require about $10 billion more per year by FY 2005, which would bring its total aid spending up to some $20 billion annually. This would raise U.S. aid levels from their present 0.11 percent of GDP to about 0.20 percent, the level of U.S. aid 20 years ago. That total could be reached by annual increases of $2 billion per year, starting with a $1.6 billion foreign-aid supplement for FY 2001 and conditioning each annual increase on appropriate management reforms and appropriate increases in aid from other donors.

An FY 2005 target of $20 billion for development and humanitarian aid would mean a foreign operations budget that year of about $25 billion; total foreign affairs spending that year would be about $33 billion. This sounds like a lot of money, but it would be less than the United States spent on foreign affairs in real terms in 1985. As a percentage of the FY 2005 federal budget, it would still be less than average annual U.S. foreign affairs spending in the late 1970s and 1980s.

STICKER SHOCK

For a newly elected George W. Bush or Al Gore, asking for $2.6 billion in additional supplemental funds for FY 2001 on top of reversing this year's budget cuts—thus adding $1 billion for the State Department and $1.6 billion more for foreign

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

operations—would produce serious "sticker shock" in the congressional budget and appropriations committees. So would seeking $27 billion for the 150 Account for FY 2002 and additional annual increases of $2 billion per year in order to reach a total of $33 billion in FY 2005. How could Congress be persuaded?

The new president—Democrat or Republican—would have to pave the way in meetings with congressional leaders between election day and his inauguration, justifying the additional expenditures in national security terms. He would need to make the case with opinion leaders and the public, explaining in a series of speeches and press conferences that America is entering not just a new century but also a new era of global interaction. He would need to energize the business community, unions, and the religious and civic groups who are the main constituencies for a more adequate foreign affairs budget. Last but not least, he would need to emphasize reforms in the State Department, in foreign-aid programs, and in international agencies to provide confidence that the additional money would be spent wisely.

Starting off a presidency this way would be a gamble, of course. But most presidents get the benefit of the doubt immediately after their first election. Anyway, without this kind of risk-taking, the new commander in chief would be condemning his administration to playing the old one percent solution game, almost certainly crippling U.S. foreign policy for the remainder of his term. The one percent solution is no solution at all.

Who takes the fall if your employees fail in international business?

You do.

Your whole company does.

If it's your job to see that employees put their best foot forward representing your company, then make sure that they are Berlitz-prepared.

With over 120 years of experience, Berlitz is the leader in language and cultural training, offering the best value for your money. With over 450 Centers worldwide, Berlitz will be there wherever and whenever you need support. In addition, through Berlitz GlobalNET, we provide translation, software localization, and interpretation services.

The upside is success. The downside is, well...unacceptable.

Call today for your free consultation.

Berlitz®

Check your phone directory for the location nearest you or visit us at **www.berlitz.com**.

Over 450 location in more than 50 countries including:

- USA: 1-888-471-9065*
- Canada: 1-800-387-4776*
- Japan: 0120-510923*

* Toll-free

© 2000 Berlitz Languages, Inc.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Their Own Army?

Making European Defense Work

Philip H. Gordon

At the end of this year, Europe is scheduled to take its first serious steps toward creating a credible unified military force. The clock began ticking at a December 1999 summit in Helsinki, Finland, where the leaders of the European Union (EU) announced their intention to create a rapid reaction force able to act autonomously, send up to 60,000 troops abroad within two months, and sustain them for at least a year. They also announced plans to create a new Political and Security Committee, a Military Staff able to advise EU leaders, and a Military Committee of defense chiefs modeled on NATO's. Coming after decades of failed attempts to build a meaningful European military capability, the Helsinki declaration was widely heralded as a sign of Europe's new willingness to take more responsibility for its own defense and perhaps even project power independently. The new structures are scheduled to be in place by the end of this year.

Apart from the hoopla surrounding it, this latest initiative seems more serious than its many predecessors, for three reasons. First, the United Kingdom, whose forces are necessary to any credible European military, is engaged wholeheartedly for the first time. Second, the Kosovo conflict brought home to Europeans just how militarily dependent on Washington they are and will remain unless big changes are made. And third, the Helsinki declaration is not a call to revive the eternally moribund Western European Union (WEU)—Europe's ostensible defense arm—but a plan to transfer responsibility for defense and security to the EU, an organization backed by real political will and momentum.

If done right, the development of a serious EU defense force could be a good thing for all concerned—reducing American burdens in Europe, making Europe a better and more capable partner, and providing a way for Europeans to tackle security problems where and when the United States cannot or will not get involved. If done badly, however, the EU

PHILIP H. GORDON is Senior Fellow in Foreign Policy Studies and Director of the Center on the United States and France at the Brookings Institution. He served as Director for European Affairs at the U.S. National Security Council from 1998 to 1999.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

project risks irrelevance as an empty institutional distraction—or even worse, a step back toward the situation in the Balkans in the early 1990s, when separate European and American strategies and institutions led to impotence and recrimination. The advantages of an EU better able to act forcefully and independently must therefore be weighed against the danger that the new initiative could exacerbate differences between Europe and America, duplicate costly NATO structures and assets, alienate NATO's non-EU members such as Turkey, Norway, and Poland, and create prematurely the illusion of European military self-reliance.

This is not to say that a case cannot be made for Europeans' taking over full responsibility for their own security sometime in the future. One good reason for the EU initiative is to lay the groundwork for such a contingency should it ever become necessary. As deeply engaged as the United States is today, it cannot guarantee that it will remain so forever. If America ever needs to pull its troops out of Europe to deal with a major crisis elsewhere, it will be glad to have in place a European pillar able to ensure regional stability.

Preparing for such a contingency in the distant future, however, is quite different from precipitating it now or even soon. For all their new enthusiasm about an EU defense role, Europeans are not ready, willing, or able to replace the United States. The Balkan operations conducted in the 1990s stretched Europe's military forces to their limits, even with the United States providing most of the military muscle. Building serious military capabilities will take vast amounts of money and at least a decade of preparation. So even if that is what Europeans want, it makes sense for now to preserve the advantages of a transatlantic security partnership while strengthening Europe's contribution to it.

Most of those involved with the Helsinki initiative understand this basic point. But with European leaders newly determined to carve out a prominent foreign policy and defense role for the EU, with Washington tempted by unilateralism and pursuing a national missile defense program opposed by most Europeans, and with lingering resentments over Bosnia and Kosovo heightening tensions on both sides, the EU defense initiative could easily cause a range of unintended—and unwelcome—consequences. Americans and Europeans need to work closely together to make sure the new project strengthens the transatlantic partnership and does not pull it apart.

WHY NOW?

If the new project manages to live up to the high expectations created in Helsinki, historians will likely locate the origins of its success in a place not normally known for its EU initiatives: London. It was there in 1998—only a year after vetoing a Franco-German proposal to bring defense into the EU—that U.K. Prime Minister Tony Blair underwent a conversion. Publicly castigating Europeans for their glaring defense deficiencies, he suggested that the way to overcome them was for the EU to play a defense role after all. Blair's new line, a sharp break from the anti-European rhetoric and policies of his Conservative predecessors Margaret Thatcher and John Major, was music to the ears of the French, who had long called for the EU to get serious about defense and foreign policy. By December, after several months of close coordination, Britain and France

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

had agreed on a new call for the EU to develop credible, autonomous military forces. They announced the plan with fanfare at a bilateral summit in Saint-Malo, France.

Blair's new thinking stemmed from two main factors. The first, left unstated, was that the prime minister and his Labor government genuinely supported European union and wanted Britain to be a part of it. Because public hostility to monetary integration prevented them from joining the most important European project, however, they had to find another way to signal their support. Defense cooperation was a logical choice, given Britain's strength in this area.

The second factor, stated publicly and often, was the realization that Europeans were not pulling their weight in a NATO alliance dominated by the United States—and that Europe was paying for this with a loss of political influence and military effectiveness. According to senior British officials, the prime minister was appalled when briefed during the spring of 1998 at how little the Europeans could bring to the table should a NATO campaign in Kosovo ever be required. Blair's aides pointed out—using figures that turned out to be remarkably accurate during Operation Allied Force a year later—that Europeans would have to rely on the Americans to fly 80 percent of the combat missions and to provide key logistics, intelligence, and communications. Blair was equally appalled at the briefings he got on how Europe might manage the operation if the United States chose not to get engaged. The endless, complex series of meetings, committees, and untested arrangements that such a scenario would entail made the idea of a solo operation seem fantastic. This, the prime minister concluded, was no way to run a war.

Blair's subsequent initiative was warmly welcomed not only by the French but by other EU partners, for a mix of reasons ranging from the desire for more influence on Washington to the concern that Europe might have to fend for itself if the U.S. Congress took an isolationist turn. Many EU members also supported the initiative simply to promote further integration, which they felt would never be complete without a defense dimension. Then came Kosovo, which illustrated Europe's military deficiencies in ways that could never be conveyed by Blair's speeches alone.

That Kosovo provided such an impetus was surprising, because if anything should have spurred the Europeans forward, it was their experience in Bosnia years earlier: initial U.S. disengagement, followed by unilateral initiatives, and eventually, a dominant American negotiator sidelining the Europeans and dictating the peace. Curiously, however, the Europeans reacted to Bosnia not with an initiative to strengthen the EU as an alternative to NATO, but rather with a renewed commitment to strengthen NATO itself. Even Paris began a rapprochement, which almost culminated in France's rejoining NATO's integrated military command structure in 1996.

So why was the impact of Kosovo different? One reason was the 1997 change of government in London. Another was the realization of just how close the Americans were this time to staying out. And still another was the military strategy employed in Kosovo—to use airpower almost exclusively—dictated by Washington because of its greater military contribution. Europe's feeling of marginalization, indeed humiliation, for its

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The History of the United States

An extraordinary 70-lecture audiocassette presentation by three of our country's most electrifying college professors

It's history as you've never heard it before...
available whenever you wish in your home, your car, or even while you jog!

Have you ever listened enviously while someone you knew talked knowledgeably about American history?

It wasn't just that they remembered more from their college history classes than you. It was that they understood how the pieces fit *together*. And what all of those past events mean to the United States *today*.

More than that, they made it all sound so much more *interesting* than the history you remember from your own years in school.

And that's exactly the point. The history your friend learned in school *was* more interesting—because he or she was lucky enough to have one of those rare and gifted teachers who could make history come alive so they would *remember* it. A teacher who made those once-moribund tales pulsate with the human feelings that drive the engine of history.

But now you, too, can have not one, but *three* of these brilliant teachers—in a remarkable new 70-lecture SuperCourse being offered at a truly extraordinary price!

And, best of all, the course is being offered by The Teaching Company—the nationally renowned education enterprise that puts America's finest college lecturers *on tape*, so that anyone with a hunger to learn can enjoy their extraordinary teaching skills anywhere, at any time!

Thousands of men and women have already discovered The Teaching Company's star-studded roster of classroom stars: the lecturers identified by the students they teach as the most electrifying and dynamic professors from the finest college campuses in the nation.

But until now no one, not even our most loyal customers, has ever seen a history course like this one—a 70-lecture display of classroom genius covering almost 400 years of cultural collision, intellectual ferment, thundering battlegrounds and moral confrontation.

It's American History as you've rarely heard it before, from the bacterial deathtrap that doomed Jamestown's original settlers to the unrest of the Great Depression—a time so bitter that a U.S. President and his wife actually carried *handguns* into a White House reception because of their fear of assassination!

In the hands of these three marvelous teachers, you'll visit Salem, Massachusetts and learn the real motivations behind the great witch trials...listen in horror as flames devour the Triangle Shirtwaist Factory and launch a new era of social consciousness...and observe how the end of the 75-year Cold War unleashes its own new tensions on a nation trying to prepare for a new century.

And because these lectures are on convenient audiocassettes, you'll be able to enjoy this remarkable educational experience at your own pace, with no exams or grades to worry about, all for the sheer pleasure of learning!

Normally, a 70-lecture SuperCourse from The Teaching Company would sell for $399.95. And the seven individual parts would sell for $89.95 each. But because we want as many people as possible to discover the joy of learning from America's most gifted and exciting teachers, we are offering the *complete course*—all 70 lectures—for only $199.95, a savings of $200 from the regular price and $430 from the total price of the individual parts.

If the joy of learning for its own sake appeals to you, please respond today. We'll give you the kind of teachers you've always wanted and deserve.

Shop securely on-line at www.teachco.com.

RESPOND TODAY & SAVE 50%!
OFFER EXPIRES SEPT. 8, 2000

Your Teachers...

Prof. Darren Staloff, The City College of New York (Parts I & II)
Gifted with a wonderful ability to immerse his students in the day-to-day lives of an extraordinarily diverse range of people, Professor Staloff is the author of the forthcoming *The Making of an American Thinking Class: Intellectuals and Intelligentsia in Puritan Massachusetts.*

Prof. Louis Masur, The City College of New York (Parts III & IV)
A winner of Harvard's John Clive Prize for Excellence in Teaching, Professor Masur has an electrifying gift for putting flesh and blood on *ideas,* making them as real and exciting as any historical battle.

Prof. James Shenton, Columbia University (Parts V, VI & VII)
A campus legend for more than 40 years for the depth, drama and sheer grandeur of his teaching, Prof. Shenton has received virtually every honor Columbia can bestow, including the 1973 Mark van Doren Teaching Prize.

(Plus guest lectures by Michael Sugrue, Princeton University)

NO-RISK MONEY-BACK GUARANTEE!

Almost 400 years of historical panorama brought vividly to life in lectures so spellbinding you'll think you were there!

Part I: Patterns of Settlement and Society
Introduction...The English Context: Society, Religion and Politics...The Disruption of Amerindian Life...The Struggle for Survival...Social Conflict and Slavery in the Chesapeake...The Religion of Puritans...Political Structures in New England...New England Society...The New Proprietaries: The Middle Colonies...The New Proprietaries: The Deep South

Part II: Maturation and Independence
The Structure of Empire...Slavery and African-American Life...Women and the Family...The Great Awakening...Eighteenth-Century Colonial Politics...Sources of Disorder and Conflict...The Causes of the American Revolution...From Protest to Revolution...The Revolutionary War...The Meaning of Revolution

Part III: The Making of a Nation
The Problem of National Identity...A Republican Experiment...Crisis and Constitution...The Debate over Ratification...Federalists versus Republicans...The Age of Capital...Westward Expansion...The Second Party System...Southern Society...Slavery and Race

Part IV: The Crisis of Nationhood
Revivalism and Reform...Antislavery Movements...The Transcendentalist Movement...Immigration and Nativism...The Crises of the 1850s...Lincoln and the Coming of Civil War...The Course of War...Emancipation...The Meanings of Freedom...Reconstructing the United States

Part V: The Making of Modern America
The Compromise of 1877...The Making of a Racial Policy...The Emergence of Modern America...The Rise of the City...Imperialism: America as a World Power...Progressivism...The New Freedom...World War I: America Goes Abroad...After the War: The Long Armistice...The Twenties: A Cultural Revolution

Part VI: Liberalism and the Cold War
The Great Depression...Franklin D. Roosevelt and the New Deal...The Election of 1936 and its Aftermath...The Developing Crises in the Pacific...The Coming of World War II...The Undeclared War and the Abandonment of Neutrality...World War II...The War in Europe...The Truman Years: Portrait of Everyman as President...An Uneasy Peace: The Korean War

Part VII: Consensus and Conflict
Kennedy and the New Frontier...LBJ and the Great Society...Black America: Demand for Equality...The Vietnam War: The War Without End...Richard M. Nixon and Watergate...The Reagan Years: Overturning the Great Society...The Gulf War: Oil and American Middle Eastern Policy...The End of the Cold War...A Multicultural America...Conclusion: Interpreting the American Past

To order, use the coupon or call
1-800-TEACH-12
(1-800-832-2412)
please refer to ***Offer Code 10050***
or FAX: **703-912-7756**

THE TEACHING COMPANY®
7405 Alban Station Court, Suite A-107
Springfield, VA 22150-2318
www.teachco.com
Offer Code 10050

SAVE 50% TILL 9/8/00!

Please send me **The History of the United States**, or the following parts, each consisting of ten 45-minute lectures on audiocassette with complete lecture outlines and a handsome storage case.

☐ **Complete 70-lecture course at special sale price of only $199.95 (reg. price $399.95) + $20 S&H.**

Individual parts $89.95 each plus $5 S&H each.

☐ Part I ☐ Part II ☐ Part III ☐ Part IV
☐ Part V ☐ Part VI ☐ Part VII

*Note: Virginia residents please add 4.5% sales tax.

☐ Check or Money Order enclosed

☐ MasterCard ☐ VISA ☐ ☐ DISCOVER NOVUS

☐ **Please send me a free copy of your complete catalog of over 60 courses (no purchase necessary)**

ACCOUNT NUMBER

SIGNATURE EXP. DATE

NAME (PLEASE PRINT)

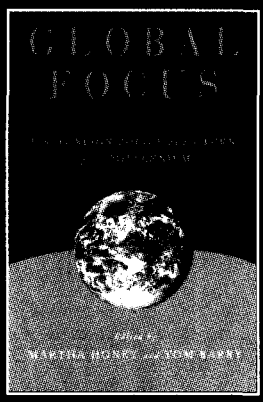
MAILING ADDRESS

CITY/STATE/ZIP

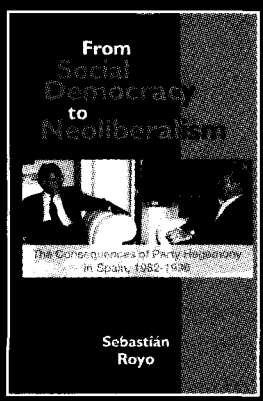
PHONE *(If we have questions regarding your order)*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

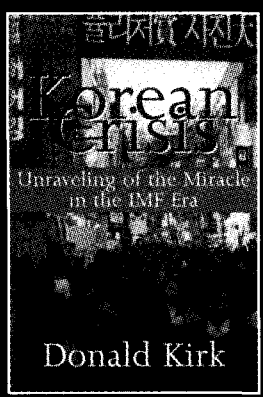
St. Martin's Press



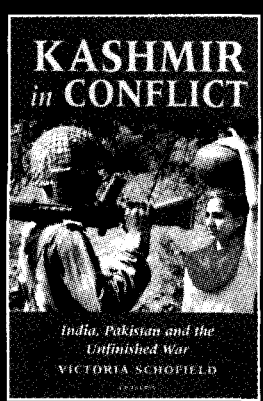
GLOBAL FOCUS
U.S. Foreign Policy at the Turn of the Millennium
Edited by Martha Honey and Tom Barry
"Bursting with data and expert analysis, *Global Focus* still manages to speak in plain and forceful tones. The message will jolt anyone—average citizen as well as specialist—who cares about America's destiny and role in the world."
—Barbara Ehrenreich, author of *Blood Rites: Origins and History of the Passions of War*
2000 • 368 pp.
0-312-22771-X $19.95 pb.



FROM SOCIAL DEMOCRACY TO NEOLIBERALISM
The Consequences of Party Hegemony in Spain, 1982-1996
Sebastián Royo
This book examines the failure of the Socialist government to combat unemployment during its tenure in Spain from 1982 until 1996.
2000 • 336 pp.
0-312-22390-0 $55.00 cl.



KOREAN CRISIS
Unraveling of the Miracle in the IMF Era
Donald Kirk
Based almost exclusively on the author's original reporting from the onset of the economic crisis through the intervention of the IMF, this book is the first to look at Korea's experience of the regional turmoil in Asia.
2000 • 400 pp.
0-312-22442-7 $55.00 cl.



KASHMIR IN CONFLICT
Victoria Schofield
"A brilliantly detailed journey....our understanding will surely improve with the arrival of Schofield's comprehensive history of the people and politics of this strategic region."
—*Literary Review*
2000 • 256 pp.
1-86064-545-3 $18.95 pb.
I.B.Tauris

THE UNITED NATIONS AND INTERNATIONAL POLITICS
Stephen Ryan
This book explores how the UN has influenced world politics, looking at why it was created, the effect of the Cold War, and how successive secretaries–general struggled to find a role for themselves.
2000 • 224 pp.
0-312-22825-2 $19.95 pb.
Studies in Contemporary History

CHINA AND THE PEOPLE'S LIBERATION ARMY
Great Power or Struggling Developing State?
Solomon Karmel
"Drawing on a wide range of previously–untapped Chinese sources, the volume particularly illuminates the untransparent world of the Chinese's military–industrial complex, budget, and commercial earnings."
—David Shambaugh, Professor of Political Science and International Affairs, George Washington University
2000 • 240 pp.
0-312-22389-7 $49.95 cl.

St. Martin's Press • *Scholarly & Reference Division*
175 Fifth Avenue • New York, NY 10010
1-800-221-7945 ext. 270
www.stmartins–scholarly.com

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

military dependence was far greater in Kosovo than it had been in Bosnia, where its militaries played a more significant role.

For all their complaints about having ceded strategy to Washington during the crisis, it is unclear just what Europeans would have done differently if left in charge. It was less the realistic availability of other, more effective strategies for the war that fueled European discontent—certainly there was little enthusiasm for a ground invasion—than something closer to pique. Just as many Americans concluded that they should never again fight a war by committee, with French leaders vetoing target sets and British generals refusing to implement NATO's orders, many Europeans concluded that they should never again cede authority to American generals and the White House. The result was the agreement at Helsinki to create a rapid-reaction capability and build the institutions to manage it.

SIX STEPS TO SUCCESS

The Helsinki initiative will force the United States to put up or shut up. In the past, Washington's public support for greater European defense efforts has always masked a certain ambivalence. Europeans were welcome to contribute more, it was understood, but only to causes defined by the United States. Moreover, it was always easier for Washington to support Brussels' defense initiatives when they were unlikely to add up to much—as has reliably been the case in the past. Now that Europeans might actually do something, however, the United States needs to consider whether it really wants them to. The question of the day is thus whether a European security policy can be constructed that allows Europeans to contribute more and exercise more influence without dividing NATO and driving the Americans out. The answer is maybe—but only if leaders on both sides of the ocean keep six guiding principles in mind.

First, Europeans need to give far greater priority to modernizing, streamlining—and sometimes using—their military capabilities than to creating new institutional structures. In the Balkans, for example, political will, police forces, firepower, and troops are all in far greater demand than are the committees and institutions to manage them. EU members, however, often seem more interested in building security institutions than in using them. It makes sense to bring defense policy into the European integration process, but the EU must recognize that institution-building is not an end in itself. If all the latest initiative achieves is another layer of bureaucracy—but no greater willingness or ability to act militarily—Europe as a whole will not be better off.

The greatest obstacle to an effective European security policy, in any case, has been not an inability to decide, but rather a lack of means to act. Although highly experienced and adept at peacekeeping, most European forces lack the means to conduct truly demanding, modern military operations: airlift, sealift, satellite intelligence, precision-guided munitions (PGMs), and all-weather and night-strike capabilities. Kosovo demonstrated not only how much Europeans must rely on the United States for these, but also that the Europeans could not maximize the effectiveness of the one resource—manpower—that they actually had in relative abundance. As NATO Secretary-General George Robertson has pointed out, European members of NATO have nearly 2 million men and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

women in uniform, yet had great difficulty mustering 40,000 troops—just 2 percent of their forces—for Kosovo. Unless and until this capabilities gap with the United States can be closed, the European defense initiative will remain a largely paper exercise, and the prospect of significant autonomous EU actions a mirage.

The good news here is that Europeans now seem to understand better than before how great the capabilities gap is. The bad news is that neither their publics nor their leaders seem prepared to make the financial sacrifices necessary to procure such capabilities any time soon. U.S. defense spending has fallen significantly since the end of the Cold War but has now leveled off at around $285 billion per year, about 3.2 percent of gross domestic product. Members of the EU, on the other hand, together spend around $165 billion annually—less than 60 percent of the U.S. amount and only 2.1 percent of GDP—and their defense budgets are still falling. Germany, the EU's largest and richest country, now spends less than 1.5 percent of its GDP on defense. With 10 percent unemployment and a widespread recognition of the need for tax cuts, there is little prospect that this amount will rise any time soon. These may well be legitimate choices reflecting different national priorities. But Europe's lack of influence within NATO and its inability to conduct autonomous operations is bound to endure until this situation changes.

Second, Europeans should make clear that NATO remains their first choice when it comes to military force, and that EU military operations are not intended for areas where NATO is already engaged. NATO is the most inclusive military organization in Europe, provides the institutional mechanism for military cooperation with the United States, has elaborate structures and standards already in place, and happens to be the organization deployed in Europe's war zones. Europeans understandably reject any formalization of what they consider to be the subordination of the EU to another organization, but they should recognize their own interest in using NATO where possible.

Third, NATO's assets must be made available for use by the EU. NATO has thousands of military planners and staff (most of whom are European) as well as an extensive network of command posts and headquarters throughout Europe. Duplicating these structures on anything approaching a similar scale would allow the EU to stop relying on NATO, but at considerable cost. Some Europeans will argue that they need separate EU structures because the United States can veto the use of NATO assets. But this concern is exaggerated, and Washington should work to make it even less so. It is highly unlikely that the United States would both decline to participate in a mission and use its veto to prevent Europeans from carrying that mission out. After all, nothing would be so certain to drive the Europeans to create the separate defense structures Americans hope to avoid. The more relevant point is that some of the most essential assets that Europeans lack—such as airlift, cruise missiles, and PGMs—are not "NATO assets" at all, but American ones. The solution to this problem is for Europe to get more military equipment, not the structures and institutions that surround it.

Fourth, links must be created between the EU and NATO. Although they share the city of Brussels, the two institutions

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

have heretofore had no contact other than the occasional meal between the NATO secretary-general and the president of the European Commission. Such an arrangement was fine when the EU was uninvolved in defense matters, but it is unacceptable now. Regular informal contacts between the two bureaucracies—and not just at the top level—should begin right away, even if more formal links have to wait until the EU has finalized its new structures. The creation of separate EU and NATO bureaucracies that do not talk to each other can only contribute to divergent transatlantic perspectives, when the goal should be to harmonize them.

Fifth, transatlantic institutional and military cooperation must be underpinned by increased industrial cooperation. So far, the post–Cold War trend has been consolidation within the U.S. and European defense industries rather than between them. But a continuation of this trend over the long run would be unhealthy. It would deny both sides the opportunity to exploit the most advanced technologies available, limit competition (as overseas firms are excluded from major procurement deals), and contribute to the development of a technology and compatibility gap. American concerns over the transfer of sensitive technology are legitimate but need to be balanced against the equally great danger of a bifurcated alliance.

Finally, the EU must involve non-EU European allies as closely as possible in their new initiative. With NATO's recent enlargement, 8 of the 19 NATO members—Poland, the Czech Republic, Hungary, Norway, Turkey, Iceland, the United States, and Canada—are not in the EU. The non-EU European allies understand that they cannot have a permanent seat at the EU's decision-making table. But there is much the EU can do to include them in its plans—such as regular discussions of matters affecting common security, the opportunity to be involved militarily if the EU decides to undertake an operation, and the creation of structures (modeled on NATO's Partnership for Peace) that allow non-EU members to be involved in decision-making for any mission in which they are taking part.

The Helsinki initiative could wind up in one of three ways. It may help bring about a stronger and more flexible transatlantic alliance. It may amount to nothing, like its predecessors. Or it may create bitterness and dissension among many of the world's leading democratic powers, leaving the Europeans to fend for themselves before they are able to do so. The first outcome is obviously the most desirable but will require a great deal of effort, resources, and goodwill to pull off. If such will is lacking, however, we should hope—for both Europe's and America's sakes—that we end up with the second option, not the third.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A House United

Beijing's View of Washington

Paul Heer

Policymakers in Washington have long split between those who believe China will inevitably threaten vital U.S. interests—and thus needs to be isolated or contained—and those who think a nonadversarial relationship is still possible if pursued through greater engagement. People on both sides of the debate, however, share a seriously flawed understanding of how Chinese leaders view the United States. According to conventional wisdom, Beijing's behavior toward Washington is driven by factional politics within the Chinese leadership. This assumption, however, is misguided and even dangerous. It misrepresents the Chinese political spectrum, overlooks the more fundamental sources of Beijing's foreign policies, and greatly exaggerates Washington's ability to exploit imagined differences within the Chinese leadership. Worse, this skewed framework obscures the fact that Beijing is currently reassessing its view of the world and China's place in it—a process that will have profound implications for the United States.

The politicians and pundits who frame the U.S. debate on China invariably focus on the struggle in Beijing between hard-line ideologues and moderate reformers. According to this view—which originated in the Hong Kong press but has since been adopted by the Western media—hard-liners, who mistrust U.S. intentions, routinely obstruct efforts by mainstream moderates to pursue an accommodating and flexible approach toward the United States. This camp was thought to be behind Beijing's handling of the World Trade Organization (WTO) negotiations, its reaction to the accidental NATO bombing of the Chinese embassy in Belgrade, and its persistently harsh proclamations on Taiwan. In each of these episodes, President Jiang Zemin and Premier Zhu Rongji—who are portrayed as leaders of the moderate faction—were said to have been constrained in their dealings with Washington and forced to mouth harsh anti-U.S. rhetoric by pressure from the hard-line camp.

In the WTO negotiations, for example, Jiang and Zhu were thought to be more prepared than their colleagues to make more concessions; similarly, Westerners assumed that these two were inclined to accept Washington's explanation for the

---

PAUL HEER is Visiting Fellow at the Council on Foreign Relations.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CORBIS-BETTMANN

Most fevered nation: Students protesting NATO's bombing of China's Belgrade embassy, Beijing, May 1999

Belgrade bombing. The same goes for Taiwan. Washington thinks both Zhu and Jiang favor a nonconfrontational approach, since they supposedly understand that U.S. intentions toward the island are not hostile to China. In each of these cases, if Jiang and Zhu ultimately adopted a hard-line stance, it is assumed that this was because they were forced to, since their relative weakness within the leadership leaves them subject to coercion, especially by the military.

The problem with this characterization—as China scholars, who command less attention than pundits, have long understood—is that the hard-liners versus moderates dichotomy is a false one. The fact is that no two-line model can explain Chinese politics. Even those scholars who divide the Chinese political spectrum into three or more camps emphasize that these factions are rarely discrete or mutually exclusive. Instead, competing schools of thought coexist within particular institutions, and even within the minds of individual Chinese leaders. The Chinese military, for example, displays a full range of views on whether it should fight a war over Taiwan or is even ready to do so. And Jiang himself routinely embraces both reformist economic policies and repressive internal security measures. Ignoring these complexities, observers often exaggerate or oversimplify policy

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

disputes in China. But contrary to conventional wisdom, policymaking in Beijing is not a case of pendulum swings of control by antithetical factions. The process is much more subtle, fluid, and narrowly confined than that.

UNITED THEY STAND

The failure to recognize and acknowledge these crucial distinctions represents a larger failure in the West to recognize the common goals that unite the Chinese leadership and underlie its policy debates. If Washington truly wants to understand Beijing, it should look to its own history; an analogy to U.S. politics helps explain matters. In his first inaugural address, Thomas Jefferson, speaking of the "contest of opinion" between Federalists and Republicans, observed that

> every difference of opinion is not a difference of principle. We have called by different names brethren of the same principle. We are all Republicans, we are all Federalists.

By the same token, today Chinese leaders are all moderates, and they are all hard-liners. On domestic economic policy, for example, they are all reformers in the sense that they are all openly committed to the reform program Deng Xiaoping launched more than twenty years ago. At the same time, Chinese rulers are all hard-liners, since they retain a commitment to socialism, albeit with Chinese characteristics, and to Communist Party rule.

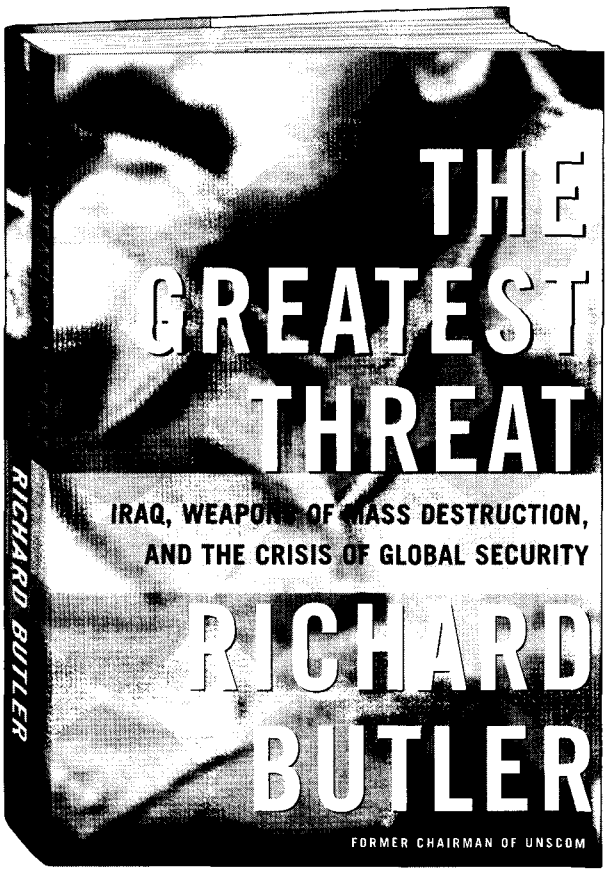
On foreign policy, the common denominator is a genuine commitment to Chinese nationalism, the inevitable result of China's bleak history of vulnerability to foreign powers. Public and private statements by Jiang and Zhu show that even they are hard-liners in this respect—staunch nationalists unwilling to compromise on core sovereignty issues, especially Taiwan. Even these two are fundamentally suspicious of U.S. intentions, suspecting that Washington wants to contain China's international ambitions and see the demise of the Communist Party. At the same time, Chinese leaders recognize the global importance, in military and economic terms, of the United States and the benefits of good relations with it—and thus remain, in another sense, moderates.

It is, consequently, a mistake to ascribe nationalistic, uncompromising, or suspicious statements or actions by Beijing to an intractable minority within the Chinese leadership. Perhaps more important, it is misguided to presume that the occasional, harshly nationalist rhetoric of Jiang and Zhu and other supposed moderates is the product of political pressure and not genuine. There simply is no compelling evidence to show that Jiang and Zhu do not believe what they say, both publicly and privately, on core foreign policy and sovereignty issues. Having experienced the same history as their allegedly hard-line colleagues, they are no less nationalistic.

Based as it is on that history, the view on sovereignty issues in Beijing generally characterized as hard-line is in fact mainstream. Suspicion and resentment of the United States is not a source of division within the Chinese leadership—it is one of the common denominators. The statements and writings of a wide variety of Chinese officials suggest that, although Chinese leaders may argue about how best to respond to the challenge of Washington, they all agree on the nature of that chal-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"BUTLER'S REMARKABLE STORY CAN BE IGNORED ONLY AT THE WORLD'S PERIL."*


THE GREATEST THREAT
IRAQ, WEAPONS OF MASS DESTRUCTION, AND THE CRISIS OF GLOBAL SECURITY
RICHARD BUTLER
FORMER CHAIRMAN OF UNSCOM
RICHARD BUTLER

Today, a decade after Operation Desert Storm, Saddam Hussein is rebuilding an arsenal of chemical, biological, and nuclear weapons that could kill millions. Now, Ambassador Richard Butler uses his unique perspective as former head of UNSCOM—the special United Nations Commission charged with inspecting Iraq for weapons violations—to tell a terrifying tale of betrayal, payoffs, and propaganda in the UN's failed attempt to stop Saddam. THE GREATEST THREAT is essential reading for anyone who cares about the fate of the globe.

"Richard Butler's gripping account of the unsuccessful struggle to disarm Iraq reads like a suspense thriller, populated by fascinating characters. His message, however, is deadly serious: Unchecked development of nuclear, chemical and biological weapons is the greatest threat to life on earth."

—JAMES F. HOGE, JR.

"Revealing and beautifully executed... Butler recounts the intransigence of Iraqi negotiators and the maddening charades they played to foil international law....Butler also details how Russia, France and China flouted disarmament efforts to protect their own political interests, and he argues that UNSCOM's mandate was bargained away in Baghdad...Certain to have a profound impact on international diplomacy."

—*PUBLISHERS WEEKLY

PUBLICAFFAIRS
A Member of the Perseus Books Group

www.publicaffairsbooks.com
IN BOOKSTORES NOW

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CGP The Japan Foundation Center for Global Partnership
国際交流基金日米センター

FUNDING FOR COLLABORATIVE RESEARCH AND DIALOGUE

The Japan Foundation Center for Global Partnership (**CGP**) provides funding for collaborative projects that address issues of importance to US-Japan relations. We are pleased to announce new priorities in the Intellectual Exchange Programs for support of policy-relevant collaborative research and dialogue in the following fields:

Health Care and Aging

International Security

International Economics

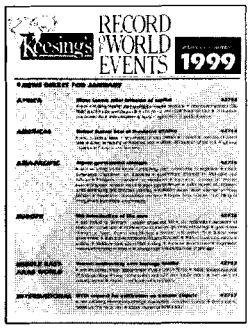
Sustainable Development

Civil Society

For further information regarding these new priorities, the CGP Intellectual Exchange Programs, and our other grant and fellowship opportunities, please contact CGP:
The Japan Foundation Center for Global Partnership, 152 West 57th Street, 39th Floor, New York, New York 10019
Tel: (212) 489-1255, Fax: (212) 489-1344, E-mail: info@cgp.org, Website: http://www.cgp.org/cgplink/

Keesing's Record of World Events

INTERNATIONAL NEWS REPORTS
COMPLETE WORLDWIDE COVERAGE



FREE TRIAL
E-mail or call
800-332-3535
for a free print issue or a 30-day trial on CD-ROM or the Internet.

Since 1931, *Keesing's* has been the authoritative monthly digest of worldwide political and economic events.

The editorial staff in Cambridge, England culls stories from the world's press and distills them into concise, objective reports read by subscribers in 73 countries.

Coverage includes every country, election results, and international organizations. Many events covered in *Keesing's* are unreported in any other single publication.

Keesing's Record of World Events is available as a monthly publication ($357/year) or as a 40-year archive on CD-ROM or the Internet (1960-present) from $950 a year.

Keesing's Worldwide

P.O. Box 5590, Wash., DC 20016-1190 • **www.keesings.com**
301-718-8770 • Fax: 301-718-8494 • E-Mail: info@keesings.com

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lenge: that the United States is trying to Westernize and divide China through a process of "peaceful evolution"—policies aimed at undermining the Communist Party's authority—and support for Taiwan's separatist agenda. Consequently, neither a strengthening of supposed moderates nor a change in leadership will make Beijing more accommodating to U.S. interests. Even a change in the nature of the regime would not necessarily produce such a result. A democratic and capitalist China would remain strongly nationalistic, retain mixed feelings about the United States, and insist on doing things its own way.

DIVIDED WE FALL

For all these reasons, it is futile to adopt any approach to China aimed at cultivating and dealing exclusively with leaders who are thought to be especially sympathetic toward the United States. Jiang and Zhu, for example, may be the architects of Beijing's pursuit of a "constructive strategic partnership" with Washington, but this does not mean they will accept an American definition of that partnership—or that they will compromise on Chinese national interests. True, Jiang and Zhu may be among the Chinese leaders best disposed toward Americans; they may be more interested in and impressed with the United States than many of their colleagues are, and more willing to visit or send their children to American schools. But none of these characteristics is inconsistent with their fundamental ambivalence toward the United States and their basic suspicions of U.S. intentions toward China.

The American ability to exploit differences in the Chinese leadership on policy toward the United States is therefore almost nonexistent. Aside from the fact that those differences themselves are narrow or even marginal, the record shows that the last thing any Chinese leader wants is to be perceived in Beijing as a favorite of Washington. There is perhaps no greater liability that he or she can suffer when real leadership struggles or policy debates ensue. Ironically, efforts by Americans to cultivate specific Chinese leaders as preferred interlocutors are likely to undermine those very leaders' credibility and influence in Beijing. This, according to many Hong Kong and Western press accounts, is what happened to Zhu last year—although the setback he suffered was overstated by the same pundits who perpetuate the hard-liners-versus-moderates dichotomy. Indeed, Zhu's central role in concluding the U.S.-China WTO agreement belied those rumors and that dichotomy.

METHOD TO THEIR MADNESS

Given these dangers, American leaders should resist the temptation to go looking for friends in Beijing whenever their counterparts there do or say problematic things. When it comes to core Chinese sovereignty issues, there is little to be gained—and much to be lost—by dealing with Beijing as anything other than a collective leadership. Furthermore, the unwarranted focus on leadership politics in the formation of Chinese foreign policy—in the hope of finding a U.S. lever against it—has prevented the United States from recognizing and confronting the more fundamental reasons for Beijing's behavior. Foremost among these is the shape of the international environment itself, and Chinese leaders' perception of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

it. Astute scholars have long recognized this as the most consistent determinant of Beijing's foreign policy. To neglect the role of the outside world is to overlook or even deny the challenge that China poses to the United States.

Strategic realities outside the Middle Kingdom—such as the relative power, perceived intentions, and actual behavior of other major countries—set the parameters of foreign policy debates in China, much as they do in any other country. These external factors are decisive because they are inescapable. They affect all Chinese leaders equally, and they effectively limit Beijing's viable policy options. This is why the policy spectrum is invariably narrower on foreign than on domestic issues. This is also why major Chinese foreign policies, such as engagement with the United States, have been sustained by different Chinese leaders in various regimes. (In a similar fashion, the U.S. policy of engagement with China has been criticized but ultimately adopted by every president since Nixon, also out of strategic necessity.)

This centrality of the external environment among the sources of Chinese foreign policy suggests that major changes in China's diplomatic behavior will most likely occur—indeed, might only occur—when China's external environment changes, or at least when Beijing perceives that it has. Statements by Chinese officials and foreign policy researchers indicate that such a shift in Chinese perceptions has been underway since at least the middle of last year. And as with Chinese nationalism, this change in Beijing's attitude toward the outside world—and especially the United States—transcends factional politics.

For the past twenty years, Beijing has described its overall international strategy as an "independent foreign policy of peace" based on the "five principles of peaceful coexistence." Key elements of this approach have included the notions that Beijing could subordinate everything else on its policy agenda, including military modernization, to the goal of economic development; that a peaceful external environment was vital to the success of that goal; and that Beijing could afford to focus on economic development to the detriment of other concerns because China faced no serious external threat.

New developments have led the Chinese to reconsider those assumptions and the order of their priorities. This reassessment began with the collapse of the Soviet Union, which eliminated some of the basis for strategic cooperation between China and the United States. But more recent developments have intensified Beijing's perception that it faces a more hostile environment than ever.

The Taiwan Strait crisis of 1995–96 and its recurring sequels, for example, reopened an old wound that had never entirely healed. The Chinese remain fundamentally suspicious of the U.S. relationship with Taiwan. Now Beijing's "one China" ultimatum to Taiwan's new president, Chen Shui-bian, and its insistence that Taiwan not be included in any U.S. theater missile defense program, show that the problem has reached a new and possibly decisive stage.

Simultaneously, the strengthening of the U.S.-Japanese strategic alliance has quickened China's fears. Wherever Beijing looks today in Asia, it finds fuel for its suspicion that the containment of China and the defense of Taiwan are central

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

American projects in the wake of the Cold War.

Finally, China's public reaction to the NATO operation in Kosovo—even before its embassy was hit—was illustrative. The operation greatly alarmed Beijing because Chinese leaders saw it as a demonstration of the post–Cold War purpose of NATO. Beijing also drew conclusions from Kosovo about the interests that will drive future U.S. foreign policy, and about the degree to which China can rely on its leverage in the United Nations to prevent challenges to Chinese interests.

In the wake of these events, Beijing now seems to suspect that its security interests are seriously at risk and that China must start shifting its attention and resources toward minimizing those risks and maximizing its ability to deal with them. This is precisely the kind of reassessment that could substantially change Beijing's approach to the rest of the world—especially the United States. Such changes could include accelerated military modernization, renewed arms sales abroad, increasing obstructiveness in the United Nations, and more active diplomatic cultivation by Beijing of other allies.

A GREAT LEAP FORWARD

Washington must remain alert to these dangers and not dismiss evidence of such thinking in Beijing as reflective of a minority hard-line view. Even so-called moderates share this thinking, and thus the shift must be taken seriously. Rather than trying to identify friends and enemies in Beijing, Americans should accept the prevalence of Beijing's nationalist concerns and, leaving aside the question of their validity, focus on devising a response to them. Furthermore, Washington should recognize that Beijing's diplomatic behavior is, to some extent, a function of Washington's own, and it should examine more closely the basis for China's suspicions that the United States wants to contain and subvert it.

Such a reexamination of the American approach to China would facilitate—and should be accompanied by—a real strategic dialogue with Beijing, one in which Americans acknowledge the existence of mutual interests, Beijing's leverage in the bilateral relationship, and the need for reciprocal concessions as the price of avoiding enmity. "Constructive strategic partnership"—a much-maligned and overinterpreted phrase—need never have implied more than this: namely, a relationship based on reciprocity and focused on cooperation in those areas where U.S. and Chinese interests coincide.

This realistic approach will entail costs and risks. Although the United States should continue to deal aggressively with China when required, it must also be prepared to reward China when appropriate. Similarly, Washington should stand firm in defense of its vital national interests but be ready to compromise in areas where the U.S. interests are less than vital, which includes some areas of trade and human rights. In the security realm, America must dispense with the notion that China's military modernization somehow presupposes an intention to attack the United States, and that key U.S. interests are in imminent danger in Taiwan. They are not, and therefore Washington should impose some limits on its support for the island—especially in arms sales. This can be done without compromising Taiwan's security or its democracy. Indeed, the Taiwan

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

problem would be easier to address if the United States recognized and acknowledged the extent to which China's interests in Taiwan actually coincide with America's.

The alternative to such a realistic approach is to continue along the current path. Having attributed the problems in Sino-U.S. relations to hard-line intransigence in Beijing, Americans today are edging toward a cold war with China. Choosing such a strategy would be a viable and even a defensible choice to make, but it, too, will entail serious costs and risks—certainly in terms of military commitments, but also in terms of sacrificing many of the potential benefits of a cooperative relationship with China while increasing the danger of conflict. The time has come to face both options honestly and choose between them. Washington must decide just which set of costs and risks the United States is prepared to assume. But any decision should be based on a realistic understanding of how Beijing actually works—not how Washington pretends it does.

MIDDLE EAST STUDIES

THE BANALITY OF INDIFFERENCE
ZIONISM AND THE ARMENIAN GENOCIDE
Yair Auron
1-56000-412-6 (cloth) 2000 332 pp. $39.95 / £30.95

PALESTINE: A TWICE PROMISED LAND?
VOLUME 1: THE BRITISH, THE ARABS, AND ZIONISM
Isaiah Friedman
1-56000-424-X (cloth) 2000 411 pp. $49.95 / £37.95

THE THIRD REICH AND THE PALESTINE QUESTION
Francis R. Nicosia
With a new introduction by the author
0-7658-0624-X (paper) 2000 319 pp. $27.95 / £17.95

LANGUAGE AND COMMUNICATION IN ISRAEL
STUDIES OF ISRAELI SOCIETY, VOLUME 9
Edited by Hanna Herzog & Eliezer Ben-Rafael
1-56000-347-2 (cloth) 2000 732 pp. $69.95 / £54.95
1-56000-998-5 (paper) 2000 732 pp. $29.95 / £19.95

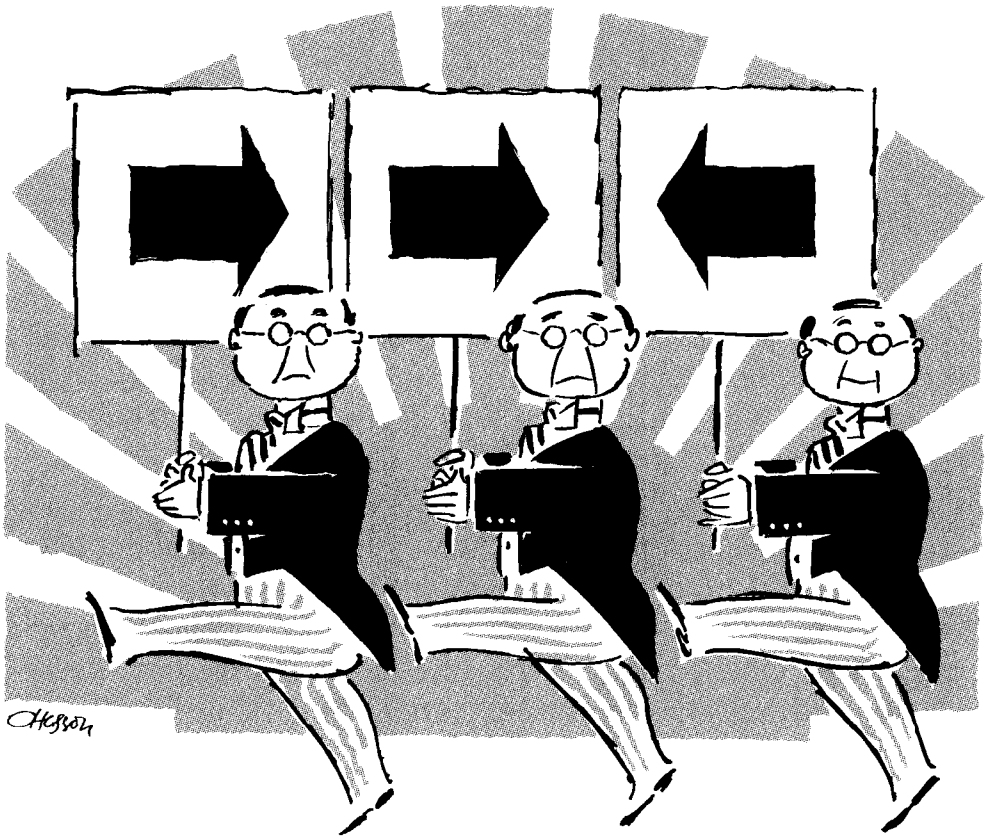
IMMIGRATION TO ISRAEL
SOCIOLOGICAL PERSPECTIVES
STUDIES OF ISRAELI SOCIETY, VOLUME 8
Edited by Elazar Leshem & Judith T. Shuval
1-56000-346-4 (cloth) 1998 569 pp. $59.95 / £45.95
1-56000-997-7 (paper) 1998 569 pp. $34.95 / £26.95

Online Orders Receive 25% Discount*
www.transactionpub.com
*individual credit card orders only

transaction
RUTGERS—THE STATE UNIVERSITY OF NEW JERSEY, DEPT. 20007
35 BERRUE CIRCLE, PISCATAWAY, NEW JERSEY 08854
TEL: 1-888-999-6778 (U.S. ONLY) OR 732-445-1245 FAX:732-748-9801
IN THE UK—3 HENRIETTA STREET, COVENT GARDEN, LONDON WC2E 8LU
TEL: +44 (0)20 7 240 0856 OR FAX: +44 (0)20 7 379 0609

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Essays



Business innovations will drive Japan's economic revolution.

Japan: A Rising Sun?
M. Diana Helweg 26

Recent reforms will not overcome the drag of self-serving politicians.

Japan: A Setting Sun?
Aurelia George Mulgan 40

China: The Forgotten Nuclear Power
Brad Roberts, Robert A. Manning, and Ronald N. Montaperto 53

Colombia's Two-Front War *Rafael Pardo* 64
Inventing East Timor *James Traub* 74
How Does Saddam Hold On? *Ofra Bengio* 90
The French Exception *Sophie Meunier* 104
Ending Africa's Wars *John Stremlau* 117

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Japan: A Rising Sun?

M. Diana Helweg

THE THIRD WAY AND PROSPERITY

As Japan enters the twenty-first century, it sits on the brink of the biggest transformation in its history. Some observers want to write off Japan as stuck in a cycle of debt and deflation, but today's structural reforms in the Japanese financial system are quietly setting the stage for an economic revolution. Although rebuilding the Japanese economy will be no easier now than it was during the Meiji Restoration or after World War II, the present changes are more fundamental than anything the country has ever seen. Japan's revolutionary path will utterly transform it from the state-run industrial powerhouse of the twentieth century toward an innovation-driven, globalized economy of the twenty-first.

This transformation, however, is not necessarily synonymous with economic recovery. In fact, an overhaul of this magnitude is likely to shrink the economy as Japan initially encounters higher unemployment, lower capital investment, and other deflationary problems. But these downturns are temporary. Japan's financial sector is being reformed—forcibly changing the way companies do business. As it develops, this new financial system is sowing the seeds for an entirely new Japanese economy—one driven by innovation and competition among small and medium-sized enterprises and high-tech companies. The old economic guard of Japan still receives most of the world's attention. But the real action is taking place in

---

M. Diana Helweg is Project Director of the Council on Foreign Relations' Task Force on the Japanese Economy and Research Fellow at the John Tower Center for Political Studies, Southern Methodist University. The opinions expressed herein are her personal views.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the smaller, newer, more creative enterprises that will bring twenty-first-century prosperity to Japan.

THE EMPEROR'S LAST STAND

THE SPARK that ignited Japan's economic revolution was cast by the collapse of the nation's financial system in the late 1990s. Until that collapse, Japan preferred that the government have nearly total control of the economy. While other modern democracies relied on free-market competition to distribute capital, Japan spent the last century perfecting a financial system that allocated capital according to government criteria. In fact, the recent affinity for state-directed economic policies began much earlier. When Japan isolated itself from the rest of the world during the Tokugawa era (1603–1867), the shogunate tightly controlled all domestic activity, from transportation to commerce.

Unsurprisingly, when a few outlying samurai families decided to replace the Tokugawa shogunate with Emperor Meiji and begin crafting Japan's first modern economic system in 1868, they continued to emphasize the state's control of capital. The self-appointed reformers who shaped the Meiji government wanted a modern economy that could support industrial growth at a pace necessary to catch up with Western countries. To achieve such rapid-fire industrialization, the Japanese government—rather than individuals—took the risks and footed the bills. Some of the wealthy merchants who had made their fortunes during the Tokugawa period led and partially funded the new enterprises, but they worked in tandem with the state, not as independent entrepreneurs. Most merchants became political actors collaborating with the central government, and many started the government-supported, family-run companies and banking houses (*zaibatsu*) that fueled much of Japan's growth in the first half of the twentieth century.

Japan steadfastly resisted a short-lived effort by the postwar American occupation forces to introduce competition-based capital markets in the late 1940s. As a result, its economy in the 1950s looked very much like it had in the 1930s, with the state, appointed banks, and large companies working together. The government soon established several

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

financial institutions to apportion capital to companies and sectors it deemed important for economic recovery. The government-run banks included a long-term credit bank, an export-import bank, a development bank, a bank for small-business financing, a foreign-exchange bank, and even a bank for long-term lending to agriculture, forestry, and fishery ventures. The government used this network of banks to make Japan globally competitive by promoting specific industries such as steel, auto manufacturing, and consumer electronics for export. It also used the banks to subsidize small rice farmers and domestic food processors, protecting them from international competition. Eventually, economic growth became managed almost entirely by bureaucrats.

As a result, private funding sources did not develop, in turn making it nearly impossible for new companies (whether foreign or domestic) to enter the marketplace. Being listed on the Tokyo Stock Exchange (TSE) was practically impossible for any company that did not have 25 to 35 years of proven profits. And initial public offerings rarely occurred. Individuals who took the risk of raising capital but failed never got a second chance.

State-controlled competition was further complemented by another postwar development in the Japanese industrial structure. The *keiretsu* or "enterprise group" system was a new concept that resembled the family-run *zaibatsu* of prewar days. The *keiretsu* linked several companies from each major industrial sector, all funded by a main bank. The relationships between these companies were cemented through a shareholding system that allowed *keiretsu* members, primarily main banks, to hold up to 60 percent of each other's shares to prevent outside takeovers. The *keiretsu* groups often locked suppliers and distributors into exclusive relationships to ensure a smooth and dependable distribution chain. Over time, these relationships overshadowed other factors such as efficiency, price, and product. Thanks to the *keiretsu* structure, large, family-owned companies like Mitsubishi, Sumitomo, and Mitsui became as prominent in the postwar economy as they had been before.

The key to the *keiretsu* structure was the main bank. A main bank allocated capital among its *keiretsu*'s companies based on both government industrial policy and the priorities of the group. The main banks had the duty of distributing cash, policing investments, and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CORBIS-BETTMANN

On the road to reform? Business students march, Tokyo, December 1998

overseeing the industrial development of their groups by deciding who would get capital and when. The lack of true equity and capital markets only enhanced the status of the main banks and further entwined Japan's industrial and financial sectors.

The system of market manipulation—rather than market competition—worked after the war just as it had in the Meiji (1868–1912) and Taisho (1912–26) eras to propel Japan into prosperity and global standing. Once Japan achieved its postwar goals, however, the *keiretsu* method of indirect financing began to unravel. Banks and businesses committed themselves to unnecessary expansion and unsustainable projects. Companies began to invest in ventures outside their core business areas, and their main banks granted unwise loans based on relationships rather than economic viability or detailed business plans. Within a decade, excess capital became excess capacity.

In the late 1980s, Japan's bubble economy, inflated by exorbitant real estate values, collapsed. Soon after, companies found they could not repay their loans due to failed investments and a deteriorated

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

economy. Nor could banks demand that their loans—many of which had been secured with insufficient collateral, primarily overvalued real estate—be repaid. At first, many banks attempted to hide these bad loans. But after a few years, some of Japan's biggest financial institutions found themselves on the verge of collapse. In November 1997, Sanyo Securities, Hokkaido Takushoku Bank, and Yamaichi Securities all closed their doors, sending the country into shock.

THE BIG BANG

THE GOVERNMENT'S inability to rescue Sanyo, Hokkaido, and Yamaichi brought Japan to the stark realization that its financial system had failed. Fortunately, the failure came right after Prime Minister Ryutaro Hashimoto and his cabinet announced the 1996 "Big Bang" initiative to liberalize the Japanese financial system. The coincidence breathed new life into what would otherwise have been token financial-sector reform. Somewhat inadvertently, and certainly contrary to the expectations of the government officials who crafted the Big Bang, these reforms provided the makings of a revolution.

Hashimoto's initiative got its name from the Big Bang launched under Prime Minister Margaret Thatcher in the 1980s to reform the British economy. Implemented in 1998, Japan's Big Bang was intended to make the financial system more transparent and accessible by loosening the insurance and securities sectors, providing tax cuts for corporations, and restricting the regulatory power of the Ministry of Finance by establishing the Financial Reconstruction Commission, the Financial Supervisory Agency, and an independent Bank of Japan. Despite some backsliding, the improved market access and reconfigured financial regulatory bodies created by the Big Bang have allowed new entrants into the marketplace to challenge the former giants.

Ironically, the Big Bang also gained strength from the economy's refusal to recover. As the Japanese economy steadily tightened, it created additional pressure on the banking sector to open up to competition and consolidation. For example, the bad loans on the books of many banking and securities institutions resulted in a profound scarcity of capital. In response, the Japanese government stepped in to prop up a few banks with large infusions of cash and began letting banks write

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

off bad loans in the spring of 1998. Other financial institutions, however, such as the Long-Term Credit Bank of Japan and Yamaichi Securities, were less lucky and had no choice but to seek foreign capital to survive. And with main banks reluctant to lend to their related companies within the *keiretsu* system for fear that the loans would not be repaid, some Japanese companies, too, had to ask foreign investors to come to their rescue. The resulting flow of foreign direct investment (FDI) has yet to slow.

Although still low in comparison with FDI in other countries, the amount of foreign investment in Japan has increased more than 100 percent since 1997. In 1998, Japan had 1,542 cases of FDI, with a total value of $10.5 billion. The 727 foreign investments made in the first half of 1999 alone—totaling $11.3 billion—exceeded the entire total for 1998. American companies accounted for 60 percent of Japan's FDI in the 1998 fiscal year; European companies accounted for most of the FDI into Japan in the first half of the following fiscal year. Foreign investment shows no signs of abating, especially since many in the foreign community believe the current climate for doing business in Japan is the best it has ever been.

Today's climate for doing business in Japan is the best ever.

Accompanying the new influx of FDI are other opportunities for creative new Japanese companies to access capital. To support small and medium-sized non-*keiretsu* enterprises that had always faced limited access to capital, Japan created a new market last year. It plans to inaugurate another one this summer, this time springing from the Japanese entrepreneur Masayoshi Son's plan to create a NASDAQ Japan for relatively young, unproven companies to raise capital through public offerings—threatening the dominance of the TSE. In response, the TSE rushed to preempt Son's efforts by opening MOTHERS—Market of the High-Growth and Emerging Stocks—in December 1999. In less than a year, the time it took a company to "go public" in Japan dropped from 30 years to a month. Boasting 7 listings, with 20 more in the wings, the new MOTHERS emphasizes transparency over past performance and eases the demanding criteria that the TSE uses for listing stocks on its main board. NASDAQ Japan, meanwhile, has three times as many applicants as it expects to list once it opens. Although

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the price of each of the newly listed stocks has declined since the recent technology stock crash, one by as much as 90 percent, initial public offerings are still flooding the marketplace. And thanks to Japan's new financial liberalizations, investment banks from abroad can underwrite many of these projects.

Under the Big Bang reforms, foreign investment banks can also participate in the mutual fund and retail banking sectors by taking advantage of new possibilities in personal savings. Last year, the Japanese government passed a law establishing U.S.-style 401(k) retirement plans for employees. This defined-contribution plan differs from the defined-benefit plan that Japanese employers have always provided. For the first time employees will help invest their own retirement funds. Moreover, these changes come at the same time that many individuals' ten-year deposits in the Postal Savings System—a quasi bank run by the government—are maturing. The Postal Savings System has begun paying out some of its approximately $980 billion in matured deposits to individual investors. Although initial statistics show that as much as 96 percent of the payouts has been reinvested in the Postal Savings System, almost half of the money has been put into short-term accounts until better long-term investments are found. Even if most of the payouts remain in the system, investment analysts expect that Japan's low interest rates, along with the government's eventual reduction of insurance limits on bank deposits, will still encourage some to put their savings in equities.

Many large U.S. investment firms, such as Goldman Sachs, Merrill Lynch, and Fidelity, are hoping to take advantage of these new opportunities by persuading the average Japanese family to deposit its bundle of savings with their money managers. In addition to using advertising and free training seminars to educate investors, most foreign firms have teamed up with Japanese partners to help make investors more comfortable doing business. For example, Merrill Lynch hopes to make the troubled retail facilities it gained in buying part of the failed Yamaichi Securities profitable by offering American-style investment services to Japanese consumers. Putnam has formed alliances with Japanese entities, and Salomon Smith Barney has created a wholesale banking venture with Nikko Securities. Fidelity had initially planned to sell its products alone, but it recently partnered with the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

COLLEGE OF ARTS & SCIENCES

Master International Relations And Make A World of Difference.

MS in POLITICAL SCIENCE

The world is your campus in this program that focuses on international relations. Explore your individual areas of interest firsthand.

Full- and part-time evenings

Language requirement in area of interest

Opportunites for short- and long-term study abroad

Fellowships available

www.suffolk.edu

FOR MORE INFORMATION CALL:
617-573-8302

THE GRADUATE PROGRAMS AT
Suffolk University
BEACON HILL • BOSTON • MA

MIGNOT TOY SOLDIERS
MADE IN FRANCE SINCE 1785

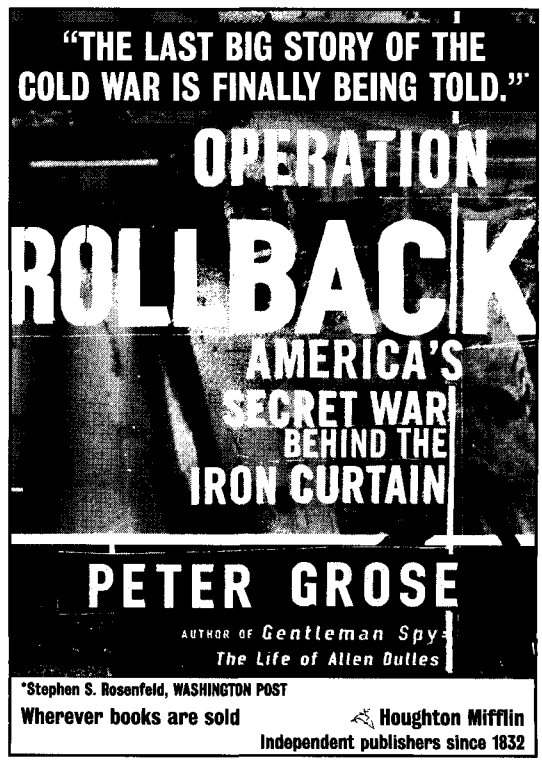
FOR THE TOY SOLDIER CONNOISSEUR

PORTRAYING THE ARMIES AND LEADERS
OF WORLD HISTORY
- CAESAR - VERCINGETORIX - CHARLEMAGNE - NAPOLEON -

"each figure a museum piece!"

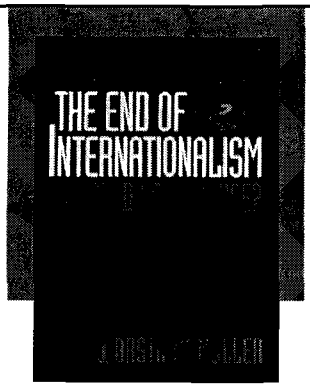
AVAILABLE INDIVIDUALLY OR IN BOXED-SETS

THE VIERING COLLECTION
145 WATER STREET - P.O. BOX 249
STONINGTON , CT 06378 USA
(860) 535-1741
email: pbviering@aol.com


"THE LAST BIG STORY OF THE COLD WAR IS FINALLY BEING TOLD."
OPERATION
ROLLBACK
AMERICA'S SECRET WAR BEHIND THE IRON CURTAIN
PETER GROSE
AUTHOR OF Gentleman Spy: The Life of Allen Dulles
*Stephen S. Rosenfeld, WASHINGTON POST
Wherever books are sold
Houghton Mifflin
Independent publishers since 1832

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

PRAEGER



THE END OF INTERNATIONALISM

Or World Governance?

By J. Ørstrøm Møller

Foreword by Jacques Santer

"In thoroughly contemporary terms, this book sets out the tensions emerging between elites and population around the world over the terms, forms, and consequences of globalization—not only of economics, but culture and politics."

—Richard Parker
Senior Fellow, Shorenstein Center on the Press, Politics and Public Policy
Kennedy School of Government
Harvard University

Praeger Publishers
2000 • 224 pages • 0-275-96701-8 • $59.95

PROTECTION AGAINST GENOCIDE

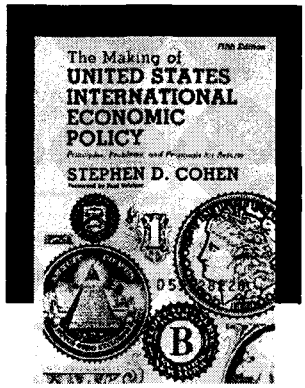
Mission Impossible?

Edited by Neal Riemer

"This volume of essays offers us the most serious and sophisticated attempt to approach the persistence of genocide as a world order problem to be solved by norms and institutions. Its great value lies in manifesting the tension between the political will to eliminate genocide and the formidable obstacles to doing so. We are all challenged by such an undertaking to read carefully, and to do our best to make the "impossible" happen."

—Richard Falk
Professor of International Law and Practice
Princeton University

Praeger Paperback
2000 • 208 pages • 0-275-96516-3 • $22.95
A hardcover edition is available:
0-275-96515-5 • $64.50



THE MAKING OF UNITED STATES INTERNATIONAL ECONOMIC POLICY

Principles, Problems, and Proposals for Reform
Fifth Edition

By Stephen D. Cohen

Foreword by Paul Volcker

"The most comprehensive current analysis of the broad sweep of foreign economic policymaking in Washington. Steve Cohen has updated his analysis with a full description of the new, anti-liberalization forces that produced the dramatic December confrontation at the WTO ministerial meeting in Seattle."

—I.M. Destler
Professor, School of Public Affairs
University of Maryland

Praeger Paperback
2000 • 328 pages • 0-275-96504-X • $29.95
A hardcover edition is available:
0-275-96503-1 • $69.50

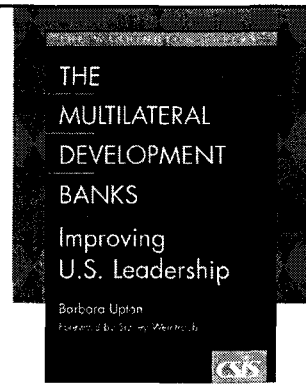
OF FEARS AND FOES

Security and Insecurity in an Evolving Global Political Economy

Edited by Jose V. Ciprut

Reexamines one of the cornerstones of international relations theory—the concept of security.

Praeger Publishers
2000 • 0-275-96855-3 • $65.00 Est.



THE MULTILATERAL DEVELOPMENT BANKS

Improving U.S. Leadership

By Barbara Upton

Foreword by Sidney Weintraub

Published with the Center for Strategic and International Studies, Washington, D.C.

"Barbara Upton has given us a timely, well-researched study of why U.S. policy toward the World Bank and other aid-related multilateral organizations is so muddled and hard to change. It is must reading for any incoming administration in 2001 that wants to have an effective, coherent approach toward managing U.S. interests in these institutions."

—James B.Burnham
Murrin Professor of Business
Duquesne University
U.S. Executive Director
World Bank Group

Praeger Paperback
2000 • 168 pages • 0-275-96967-3 • $19.95
A hardcover edition is available:
0-275-96966-5 • $49.95

THE ART OF THE FEUD

Reconceptualizing International Relations

Edited by Jose V. Ciprut

The outstanding contributors to this landmark volume offer a range of creative and fundamental reexaminations of the basic assumptions and theoretical tools of traditional international relations paradigms. *The Art of the Feud* is a substantial call to seek more inclusive, dynamic, and interactive forms of theory attuned to the new and evolving realities of the global scene.

Praeger Publishers
2000 • 0-275-96854-5 • $55.00 Est.

For complete book and ordering information on these and other great titles, visit us on the web at http://www.greenwood.com

GPG GREENWOOD PUBLISHING GROUP INC

88 Post Road West • P.O. Box 5007 • Westport, CT 06881-5007
Telephone (203) 226-3571 • Office FAX (203) 222-1502

PLACE YOUR ORDER TOLL-FREE, 24 HOURS-A-DAY: 1-800-225-5800

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Bank of Tokyo-Mitsubishi and the Nomura-Sumitomo brokerage consortia to market its funds to Japanese consumers. If these consumers achieve greater returns on their retirement investments, the increased dividends will relieve the pressure on Japanese families to save so much. Consumer spending could go up, spurring a demand-led growth that would help pull Japan out of the economic doldrums.

EYES ON THE BOTTOM LINE

THE CHANGES in Japan's financial sector are all the more revolutionary because they have begun to spill over into the industrial structure of the economy. The influx of FDI has done more than just give capital to needy Japanese banks and companies. Foreign investors are bringing technical expertise and know-how to current restructuring efforts all over Japan. Japanese companies have begun seeking out their own consolidations and mergers in order to receive the same opportunities that foreign investors have seized. They are voluntarily restructuring themselves and sloughing off extraneous investments, focusing instead on the most profitable areas of their business. Motivated by the rising cost of capital, universally low profits, growing global competition, and the information revolution, many Japanese companies have now set their eyes on the bottom line.

By putting profits above personal and business loyalties, companies are even crossing *keiretsu* lines. The most publicized and prominent such deals are the Sumitomo-Sakura bank merger and the newly christened Mizuho Bank, made up of Dai-ichi Kangyo Bank, Fuji Bank, and the Industrial Bank of Japan. The Asahi-Tokai-Sanwa bank merger has also received a lot of publicity for consolidating three major banks—even though each maintains weak *keiretsu* connections. But these merged entities cannot boast about their efficiency or streamlined integration. Mizuho, for instance, expects to take three years to complete the consolidation it began in 1999. (Similar mergers in Europe and the United States usually take between three and six months.) Nonetheless, these consolidations are the first steps in the right direction—particularly since they would have been unthinkable five years ago.

As companies interact across traditional *keiretsu* lines, they are also unwinding their linked shareholding practices. Japanese companies

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

trying to make themselves attractive for consolidation no longer want to have 40–60 percent of their shares held by related companies. Indeed, soon after the alliance between Dai-ichi Kangyo Bank, Fuji Bank, and the Industrial Bank of Japan, the latter two announced that they would sell the shares they hold in each other. Nissan—which belongs to the same *keiretsu* as Fuji Bank—announced the sale of its shares as part of a major restructuring plan launched soon after it merged with the French auto company Renault. As these and other shares free up, public companies can sell shares on the TSE. Any company, public or private, can use stocks to purchase assets under the newly legalized stock-swap transaction mechanism, which allows companies to purchase other companies using shares instead of cash. Nippon Paper Industries is doing just that with Daishowa Paper. Or shares can be used to compensate or reward employees, as Nissan-Renault began doing this year.

Japanese companies have set their eyes on the bottom line.

With company shares becoming valued commodities, they have taken on new importance in the eyes of shareholders, brokers, and management. The newly diversified pool of shareholders—including employees, unrelated companies, and foreign purchasers—can now pressure a company's management to obey international standards for corporate governance. Although few shareholders exercise these powers, over the past couple of years business terms like "corporate governance," "shareholder value," "return on assets," and "return on equity" have become commonplace in business conversations in Tokyo. The practice of such concepts has admittedly not been as pervasive as the discussion of them. Still, Sony and Toyota have reduced the size of their corporate boards, and Sony and Fuji Xerox have brought in outside directors. Gradually, companies are shifting their priorities from growth and long-term investment to more immediate concerns like restructuring and profitability.

As part of this transformation, the management-employee relationship is evolving as well. Employment guarantees by big companies and the tradition of seniority-based pay have begun to deteriorate. Companies on the verge of bankruptcy can no longer guarantee that they will keep their employees for life. So most firms pay employees

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to retire early and have restructuring plans that rely on attrition and hiring freezes, rather than on U.S.-style mass firings. In addition, companies have begun to switch to merit-based pay systems that include stock options and other incentives. This is especially true in the financial, high-tech, and other young growth sectors, but even old-guard Japanese companies are following suit.

Companies trying to enhance their profitability are finally being forced to relinquish their traditional preference for relationship-based business practices—effectively weakening the *keiretsu* system. Although the interconnected relationships run deep in Japanese society, large Japanese companies are beginning to examine business deals on the basis of profit, not corporate connections. These considerations have trickled down to distribution channels as well. Supply chains for distribution in Japan have begun to respond more to pricing and competitive delivery than to company obligations. Nissan-Renault, for instance, caused quite a stir when it announced its plan to trim its supplier relationships by 50 percent over the next three years. But this move is a sign of the times: if Nissan-Renault's plans succeed in saving Nissan from collapse, other traditional Japanese companies will follow suit.

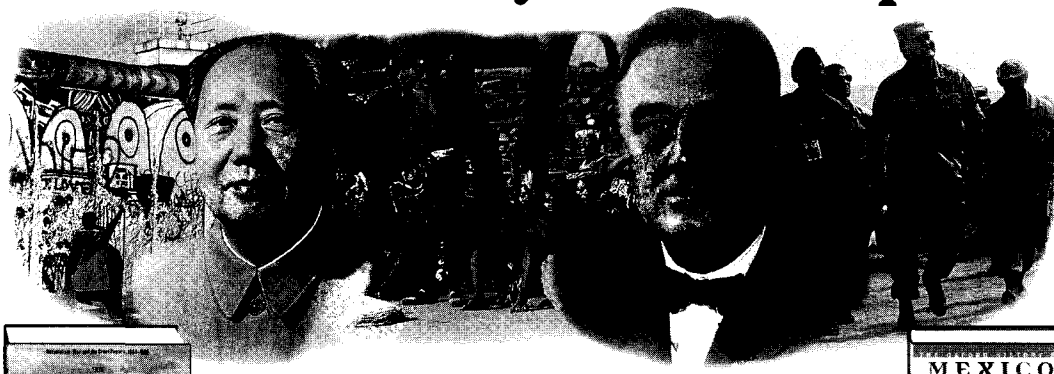
REFORM.COM

ALTHOUGH CHANGE is spreading throughout Japan, revolutionary reforms are most prominent in two new sectors of the economy: communications and technology, the same two sectors driving growth in the United States. In the final quarter of 1999, Japanese telecommunications and personal computer companies saw triple-digit increases in their gross profits. In the information-technology sector, productivity has risen 7 percent and output is growing at an annual rate of 12 percent. These changes herald a transformation of Japan's entire economic structure.

Why are these sectors more instrumental to Japan's economic revolution? First, unlike old economic sectors such as steel and agriculture, the government does not overregulate the high-tech sectors. Second, individuals in communications and technology are intoxicated with the prospect of catching up to Western technology and profits. And third, those not in the field feel the pressure to develop new models so that they,

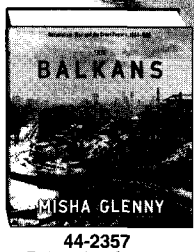
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

War, Politics, Religion, and Culture. A world of history. All in one place.



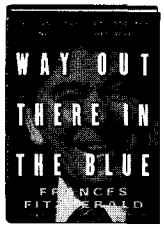
TAKE ANY 3 BOOKS FOR $1 EACH

plus a 4th at 35% off the publisher's price—with no obligation to buy more.

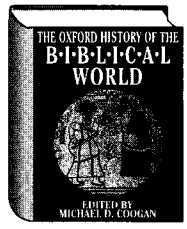


44-2357
Pub. price **$34.95**

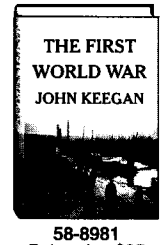
50-0206
Pub. price **$45**



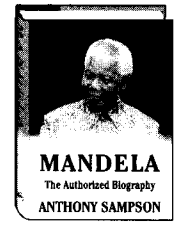
90-0614
Pub. price **$30**



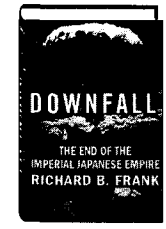
06-9374
Pub. price **$50**



58-8981
Pub. price **$35**



02-6762
Pub. price **$30**

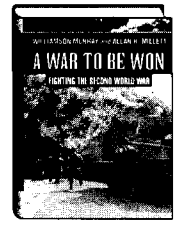


04-5117
Pub. price **$35**

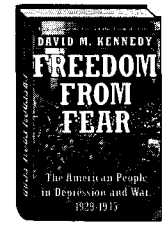
92-2626
Pub. price **$35**

33-2886
Pub. price **$27.50**

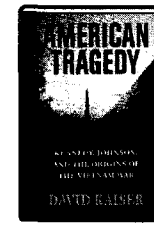
37-8477
Pub. price **$35**



62-5661
Pub. price **$35**

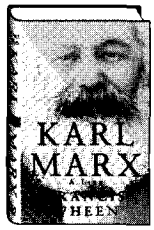


78-6896
Pub. price **$39.95**

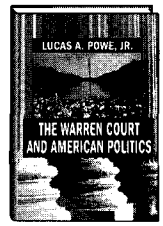


24-5392
Pub. price **$29.95**

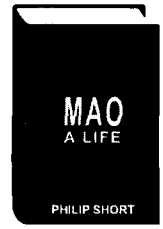
03-3550
Pub. price **$35**



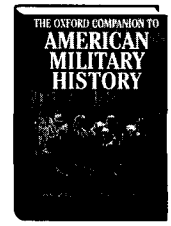
04-2203
Pub. price **$27.95**



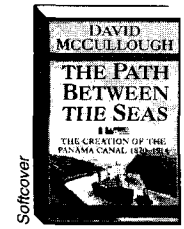
83-2624
Pub. price **$35**



72-5662
Pub. price **$37.50**



50-4374
Pub. price **$60**

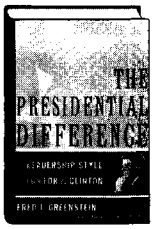


Softcover

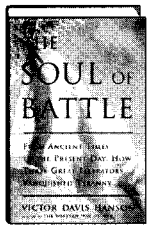
71-5366
Pub. price **$18**

71-3243
Pub. price **$39.95**

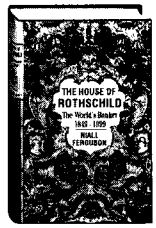
LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



33-3058
Pub. price $25

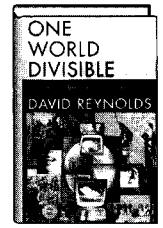


82-7121
Pub. price $30

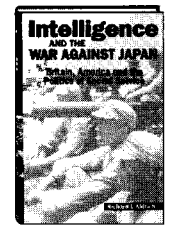


90-4301
Pub. price $34.95

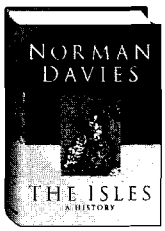
17-3506
Pub. price $25.95



71-7717
Pub. price $35

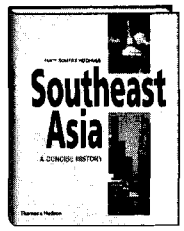


23-2818
Pub. price $34.95

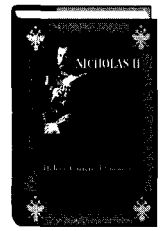


72-5520
Pub. price $45

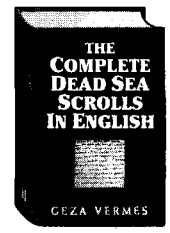
52-5734
Pub. price $40



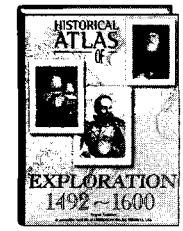
82-5564
Pub. price $27.50



42-1260
Pub. price $39.95

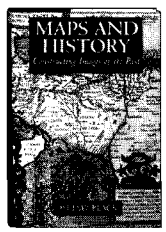


28-3431
Pub. price $39.95

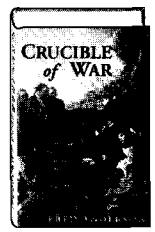


32-3115
Pub. price $35

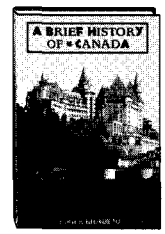
16-3101
Pub. price $45



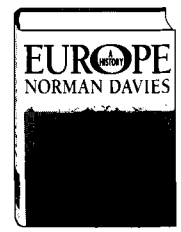
63-4933
Pub. price $35



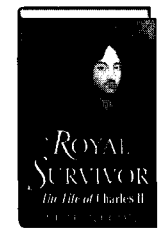
71-7345
Pub. price $40



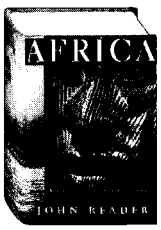
03-3196
Pub. price $35



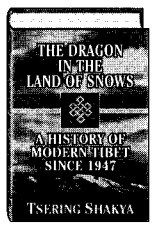
60-8335
Pub. price $39.95



91-3452
Pub. price $27.95



76-0493
Pub. price $35



51-7477
Pub. price $29.95

No matter what area of history you enjoy reading about most, you'll find that History Book Club offers some of the finest selections being published today. And no book club we know offers greater savings—as much as 40% off publishers' list prices. You can save even more by taking advantage of our Introductory Offer. Select any 3 books for $1 each when you take a 4th book at 35% off the publisher's price, plus shipping and handling. Thereafter, you're not obligated to order any more books. You may cancel your membership at any time by notifying History Book Club. We may cancel your membership if you elect not to buy at least 1 book in any 6-month period.

How the Club works. You'll be able to choose from 150 to 200 books featured each month. History Book Club always offers its Members well-made, long-lasting editions.

You'll receive our *Review* and a dated Reply Form 17 times a year (about every 3 weeks). If you want the "Editors' Choice," do nothing—the book will come automatically. If you want another book, or no books at all, return the Reply Form by the date specified. A shipping and handling charge is added to each shipment.

Your HBC guarantee: If you receive an unwanted "Editors' Choice" because you had less than 10 days to decide, just send it back and owe nothing.

All the best history. All in one place.

HISTORY Book Club® Camp Hill, PA 17012-0001

Please enroll me in History Book Club according to the no-risk, no-commitment terms outlined in the accompanying ad. Send me the 4 books whose numbers I have listed below. Bill me $1 each for 3 choices and the 4th at 35% off the publisher's price, plus shipping and handling.

3 choices at $1 each: _____ _____ _____ **0-19** **H053-7-0**

4th choice at 35% off the publisher's price: _____

(Please fill in all the boxes or we cannot process your order.)

Name _____
(Please print clearly.)

Address _____ Apt. # _____

City _____ State _____ Zip _____

To help us serve you, please tell us what you like to read. *(Please circle one number for each category.)* **#053**

	STRONGLY DISLIKE	SOMEWHAT DISLIKE	NO OPINION	SOMEWHAT LIKE	STRONGLY LIKE
A. Civil War	1	2	3	4	5
B. Ancient History	1	2	3	4	5
C. Military History	1	2	3	4	5
D. American History	1	2	3	4	5
E. British History	1	2	3	4	5
F. Russia, Asia, the Middle East	1	2	3	4	5
G. European History	1	2	3	4	5
H. Current Affairs	1	2	3	4	5
I. Social/Intellectual History	1	2	3	4	5

Send No Money Now.

©2000 History Book Club. All orders subject to approval. Prices and offer may differ in Canada.

Guarantee of Satisfaction: You may examine your introductory books for 10 days, FREE. If you are not satisfied, for any reason whatsoever, simply return the books and you will be under no further obligation.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

too, can take advantage of the profits overwhelming Internet ventures everywhere. The ideas and successes of many Japanese start-ups and technology ventures have attracted unprecedented levels of FDI.

As in the United States, this new economic growth has spawned an entire culture. Japan has its own version of Silicon Valley, named Bit Valley, in Tokyo's trendy Shibuya district. The name plays on the word *shibuya,* which means "bitter valley." In just a few years, a lonely high-tech field populated by a few Japanese entrepreneurs has blossomed into a full-fledged industrial sector. The risk-averse label often applied by outsiders to Japanese business no longer fits the multitudes of Japanese students and others who gladly pass up the safety of long careers with traditional corporations to make it big on the Internet.

The telecommunications industry, too, is undergoing revolutionary changes. Domestic and foreign phone companies are threatening the Nippon Telegraph and Telephone Corporation's monopoly by laying their own cables, thereby providing services without paying NTT connection charges. Foreign companies are breaking into the Japanese telecommunications sector in other ways as well. Last summer, Cable and Wireless, a British company, outbid NTT to obtain a controlling interest in the Japanese long-distance carrier IDC. Despite NTT's supposed domestic advantage, Cable and Wireless won approval for its bid from Japanese shareholders.

NTT's exorbitant rates have kept Japan's household use of the Internet at less than half the U.S. rate—a sticking point in U.S.-Japanese deregulation talks. But NTT is now facing competition from its own cellular subsidiary, DoCoMo. Because of NTT's monopoly, cellular phones are less expensive to use than regular phones. As a result, practically all Japanese adults and most teenagers own mobile phones, and DoCoMo has the mobile market cornered. Unlike its parent company, DoCoMo is competitive in pricing, service, and innovation. Recently, it began offering a service that links telephones to the Internet with fun graphics and easy-to-use technology. This service, currently enjoyed by one out of twenty Japanese, lets the personal Internet user escape high connection costs and shows how quickly Japanese technology is moving in leading sectors.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE CHRYSANTHEMUM AND THE SWORD

OPTIMISM, yes. But Japan's economic revolution will not succeed without a fight. A great deal of resistance remains in some Japanese circles—justifiably so. The revolutionary changes in the Japanese economy will not bring growth right away. Nor will they end the economic ups and downs any time soon. But eventually, all these fears will dissipate because the economic revolution will bring jobs. It will undoubtedly take a few years for the reforms to become entrenched and for new businesses based on a competitive model to establish themselves. But once they do, jobs will increase and consumer demand will grow.

The speed and efficacy of these reforms will largely depend on how companies and consumers implement them. Unfortunately, the current reforms are neither comprehensive nor universal, and many of the changes have been implemented piecemeal—offering too little, too late. The transition to consolidated tax standards, which would encourage corporations to purchase and revitalize companies with large liabilities, has been delayed for another year, reducing investors' confidence in businesses' commitment to reform. The restructuring plans announced by big companies too often rely on attrition and no new hiring, rather than on layoffs, to eliminate redundancies. And although new financial agencies like the Financial Supervisory Agency and the Financial Reconstruction Commission have engaged in significant reforms, they are still limited because of lingering ties to the conservative Ministry of Finance, despite nominal efforts to establish their independence.

Many Japanese companies have backed themselves so far into the corner in terms of overcapacity, unpaid loans, and redundant work forces that they have virtually no good choices left. Without restructuring, they will collapse. But waiting until the last moment to change has only narrowed their avenues of escape. The understandable fears caused by this predicament have translated into high personal savings coupled with low consumer spending, leaving Japan in an interminable deflationary spiral. The enormous fiscal stimulus packages of the 1990s that the government implemented to break this deflation produced nightmarish budget deficits. The combination of all these factors causes some observers to throw up their hands in frustration.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

But there is still cause for hope. The revolution underway in Japan will recreate the nation from the inside out. Slowly but surely, Japan is shifting from state direction to a free market. Indeed, Japan's social and political structures already reflect some of these changes. For example, the bureaucracy in various ministries now holds less control over the prime minister's office and the parliament than ever before. Newly elected Diet members are drafting reform legislation with the input of foreign businesses and government officials rather than of bureaucrats.

True, political reforms lag behind economic changes. During the push for reform in 1994, the public showed new interest in eliminating closed-door politics and one-party dominance in favor of greater accountability. But complacency has set in as the ensuing reforms proved superficial. As shown by the lack of public objection to the Liberal Democratic Party's backroom power shift from the dying Keizo Obuchi to the new prime minister, Yoshiro Mori, the public does not expect much disclosure or transparency from its politicians. Fortunately, today's economic reform does not hinge on political reform. The government is not driving the current revolution; business is.

HERE COMES THE SUN

As Japan comes into its own, it could challenge the United States on several fronts. Economically, if Japanese high-tech companies ride the next wave of technical developments—as they are poised to do—they could cut the value of U.S. high-tech stocks and cause the American stock market to drop. If the U.S. stock market falls prey to a high-tech correction, Japanese technology companies could move into the lead.

With regard to national security, a strong Japan that has redefined itself may feel less inclined to follow U.S. policies in the Asia-Pacific region or around the world. If Japan adopts new alliances or policies that harm U.S. interests or undermine U.S. troops in Japan or South Korea, the United States will have to rethink its military strategy for the region—especially if Japan amends its constitution to permit a standing military force. An economically strengthened Japan might also create power and prestige issues for the United States if other

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Asian countries look to Japan, not the United States. Despite its recent economic weakness, Japan secured its position as a leader in the region by consistently giving money to the other Asian nations throughout the financial crisis of 1997–98 while the United States held back.

Despite these risks, a vibrant, prosperous Japan is in America's best interests. Therefore the United States should commit to three courses of action. First, American businesses should not underestimate Japanese businesses' potential. As they continue to wrestle with formidable competitors in the global economy, U.S. firms should plan on a reinvigorated Japan in five years or so. Second, the U.S. government should continue to work with and support Japan as it struggles to resuscitate its economy. Japan needs to know that America is standing by, and the United States needs to provide quiet and steady support that will not humiliate Japan. Third, the U.S. government and the public need to recognize that America has little leverage over Japan's economic or strategic policies. So it must revise its expectations of the U.S.-Japan bilateral relationship.

America's best leverage in this era of globalization is its economic strength. Doors around the world open to U.S. corporations because of the promise of prosperity. The door to doing business in Japan is now open wider than ever. The next U.S. administration should take advantage of this access to support domestic Japanese forces already at work for change. These domestic forces are the engines of the Japanese economic revolution and the key to its inevitable recovery.

The Japanese moved further and faster than anyone ever expected during both the Meiji Restoration and the recovery after World War II. There is every reason to expect that Japan will do so again—winning the battle between status quo and reform. But more fundamentally than even the Meiji and postwar periods, this revolution will rebuild Japan's economic foundation from the ground up.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Japan: A Setting Sun?

Aurelia George Mulgan

DEATH IN MIDSUMMER

TWO YEARS AGO, with an economy mired in recession and reeling from a full-blown financial crisis, Japan's elites realized that something had to give. They embraced a complete overhaul of the country's banking system and acknowledged the need for structural reform of the economy as a whole. Reform peaked in 1998, when Tokyo moved to rescue the financial system from imminent collapse, cut regulations, and revitalize industry.

Today Japan's recovery hangs in the balance. Just when the momentum for reform appeared unstoppable, the government's revival strategy began to lean too heavily on fiscal stimuli, pushing Japan into a spending rut. Economic growth will halt if Tokyo ignores the pressing need for reform. The government is backpedaling because the sense of urgency generated by the banking crisis has eased, because the economy is showing some signs of recovery, and because the upcoming general election is looming large in the minds of ruling Liberal Democratic Party (LDP) politicians. But the underlying problems remain, and shallow political opportunism is derailing reforms vital to Japan's future economic recovery.

JAPAN, INC.

BY SLOWING REFORM, Japan risks losing whatever economic momentum it has recently achieved. Self-sustained growth seems frustratingly elusive. Vital indicators of economic health, such as

---

AURELIA GEORGE MULGAN is Professor of Japanese politics at the Australian Defence Force Academy of the University of New South Wales and author of *The Politics of Agriculture in Japan.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

personal consumption and business investment, remain weak. The decline in capital spending appears to have leveled off, but consumer spending continues to shrink. High-profile corporate failures are still causing mass layoffs. Many companies are trimming wages, bonuses, and work forces. Unemployment has reached unprecedented highs, according to records dating back to the early 1950s—hardly a boost to consumer confidence. And consumer spending is unlikely to revive until the job outlook improves.

The only big spender in Japan today is the government, which launched nine mammoth stimulus packages, totaling $1.2 trillion, between 1992 and 1999. The country's very modest return to growth in the first half of 1999 was fueled almost entirely by state largesse. Aggregate demand rose directly in line with increases in public-works spending. But when the effects of the pump-priming wore off in the third quarter of 1999, Japan slipped back into the recession that has plagued the country since 1993.

Japan's inflated budgets present another obstacle to economic recovery. Consumers and taxpayers fear that ultimately they, their children, and their grandchildren will have to finance the government's profligacy. Japan's aging society will severely strain social-welfare services and pensions, and many employees doubt whether they will ever see their promised benefits.

Furthermore, public confidence in Japan's government has been shattered. The bureaucracy's policy failures during the banking and economic crises cost it both credibility and trust. The bureaucracy's reputation was further tarnished by the various corruption scandals involving elite officials. As Japanese ministries try to halt the devolution of their powers to businesses and consumers by mounting a last-ditch defense against deregulation, the Japanese public grows increasingly frustrated.

On top of these bureaucratic failings is the chronic inability of Japanese politicians to come up with tough solutions when they are most needed. The ruling government coalition, led by the LDP, runs on stopgap proposals. Scant surprise, then, that it has turned decidedly against deregulation. Energies that should be directed toward developing coherent strategies for the nation's problems are dissipated in endless political power games. The misplaced zeal for irrelevant reforms, such as reducing the number of seats in the parliament's lower

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

house, illustrates the politicians' misplaced priorities and collective political blindness. It is a blindness Japan can ill afford.

NEW HANDS, OLD HABITS

SEVERAL KEY recent appointments prove that the government's commitment to reform has lapsed. In the October 1999 reshuffle of cabinet and top party posts, Prime Minister Keizo Obuchi appointed Shizuka Kamei, a self-professed foe of reform, as chair of the LDP's Policy Research Council—making him the party's top policymaker. He has continued in this post under Prime Minister Yoshiro Mori. Obuchi also appointed Michio Ochi, a former Ministry of Finance (MOF) bureaucrat, to head the Financial Reconstruction Commission, which oversees banking reform. But despite Ochi's official support for restructuring, he attempted to mete out preferential treatment to small and midsize financial institutions, a move that ultimately led to his downfall. His successor, Sadakazu Tanigaki, will find it tough to convince a skeptical public that he will continue the commission's work in creating an impartial, transparent system of financial regulation.

In another antireform move, a group of LDP politicians decided to create a self-styled "Committee to Reconsider Deregulation" in November 1999, calling for revisions in government-sponsored deregulation programs. By March 2000, the committee had ballooned to around 165 members—just under half of the LDP's total membership in the Diet, the Japanese parliament. All worried that deregulation could hurt small business—a traditional bailiwick of the LDP. In particular, committee members were responding to complaints from small retailers about increased competition from supermarkets and discount stores. The committee's sympathy is unsurprising. Beyond the metropolitan fringes, Japan is a land of farmers and small business operators, where LDP politicians find their strongest support.

The committee against deregulation is headed by Kabun Muto, who ironically also leads the LDP's Administrative Reform Promotion Committee—the party's main body responsible for deregulation. Muto's new ideology shows a stark change from earlier days when, as director-general of the Management and Coordination Agency under Prime Minister Ryutaro Hashimoto, Muto led the fight for

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

deregulation. He now rejects the pro-market position he formerly espoused, arguing that too much deregulation "can be a bad thing." Other leading LDP executives, including Kamei, are also members of this committee, as is Education Minister Hirofumi Nakasone. Former LDP Secretary-General Yoshiro Mori resigned his membership only when he became prime minister in April 2000.

Although these sentiments may be dismissed as mere pre-election posturing, such a clear LDP stance against deregulation undermines the general climate of reform. Furthermore, electoral pressures are unlikely to ease even after the vote for the lower house of the Diet, scheduled to take place on June 25. In 2001, the LDP faces another election in the upper house, a body it does not control. Hence the party's backsliding away from reform is not likely to cease.

ARTFUL DODGES

IN ADDITION to these uninspiring political appointments, a succession of policy developments since late 1999 demonstrates that antireform forces within the government are gaining the upper hand. For example, last November the ruling coalition decided to amend a new public nursing-care insurance scheme, thereby lowering the financial burden on the elderly. Based on the new plan, premium payments by people over the age of 65 would be delayed for six months, with a plan to phase in payments over one year at just half the amount needed to meet program costs. The shortfall of $9.5 billion would be covered by government borrowings, further delaying the creation of a financially viable scheme. The move was directly engineered by Kamei, who blocked the start of the new premium arrangements at the last minute.

One month later, the LDP put another reform on hold, this time affecting banks. In 1996, the government committed itself for five years to an unlimited guarantee on all deposits made at failed banks. In April 2001, the guarantee was due to be capped at $95,000. But in a sudden policy reversal, full protection for depositors was extended for another year. Terminating the unlimited government guarantee on deposits was supposed to force banks, credit unions, and credit cooperatives to reform their management and heighten efficiency. But with the immediate pressures to improve their financial performance

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

easing, the impetus for these institutions to reform themselves has diminished—thus slowing down the reorganization of the banking industry. Ochi reportedly engineered the delay to shield smaller credit unions and credit cooperatives and avoid the likely political fallout in local communities of any insolvencies. To many observers, the policy reversal had all the hallmarks of the old "convoy" system *(goso sendan)*, the MOF's favorite technique for preventing bank failures: limiting competition and forcing stronger banks to bail out weaker ones.

Other recent policy shifts have added to the anticompetitive thrust of government measures. In another move, Ochi terminated the policy requiring regional banks that received public funds for recapitalization to raise their "capital adequacy ratios" to 8 percent—in other words, making them increase the amount of capital they set aside to cover loans in the event of borrowers' defaulting. Efforts to clean up the debts caused by failed housing finance companies *(jusen)* at the center of a mid-1990s scandal have also been throttled back.

Japan's prospects for reform are no better on the taxation front. The draft proposals for this year's tax reforms, prepared by the prime minister's advisory Tax Commission and the LDP's Tax System Research Committee, have put off the introduction of a consolidated corporate taxation system for at least one more year. Under this system, individual firms affiliated within the same holding company would be treated as a single corporation for taxation purposes—so losses in one part of the group could be offset by profits in another. The idea was to promote corporate restructuring and boost the international competitiveness of Japanese companies. The LDP's tax panel recommended the introduction of the new system for 2001. Based on this commitment, many companies pursued mergers or reorganized themselves. Postponing the new tax system leaves these companies in limbo and lessens the incentives for restructuring.

Who is blocking the tax reform? The blame lies squarely with the MOF and the LDP. The MOF has resisted the consolidated tax system for fear of reduced government revenues from corporate taxes. The LDP's opposition was based on fears about the effect of possible job losses on consumer demand.

Meanwhile, the LDP is poised to backtrack on some of the deregulation proposals of the government's regulatory reform committee,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

which presented the Obuchi administration with 234 changes that were due to take effect beginning in April 2000. Having successfully torpedoed the attempt to deregulate the taxi industry, the LDP's committee against deregulation now has its sights set on blocking the proposed deregulation of licensing requirements for liquor retailers.

Other reforms may also disappoint. The much-heralded amendment to the Large-Scale Retail Stores Law—which would enable supermarkets and other big retail outlets to set up in neighborhoods dominated by mom-and-pop stores—is much less of an unequivocal victory for retail market liberalization than was originally thought. The amendment still allows local communities to veto the introduction of large-scale retailers. Only the grounds for objection have changed: vetoers must now cite "potential threats to the living environment."

HEY, BIG SPENDER

EVEN IF the Japanese economy achieves the modest growth forecasted for 2000, the government will still need to repay the massive amounts it borrowed for the past string of pump-priming spending packages. But for the time being, any thought of reducing the mountain of public debt has been abandoned. Budgetary stimulus has become the principal means of spurring economic recovery.

Until recently, the chief constraint on government spending was the MOF and its strict advocacy of fiscal prudence and debt reduction. The budgetary brakes came off, however, when this stance was mistakenly seen as choking economic recovery in 1997–98. So from July 1998, the Obuchi administration relentlessly focused on public-works projects. In November 1998, for instance, it finalized a $206 billion emergency economic package, the biggest stimulus in the nation's history. Around the same time, it prepared a 1999 budget that contained the biggest annual spending increase on record—a rise of 5.4 percent to $771 billion. Two more supplementary budgets followed in 1999. Not to be outdone, the 2000 budget features a record $810 billion in outlays. On the revenue side, 38 percent of budget income, or $310 billion, comes from deficit-financing bonds.

Obuchi, who called himself "the world's largest debtor," issued more government bonds than any other prime minister since 1965—

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the year in which bonds were first released. The 2000 budget brought his total up to $800 billion, far surpassing the corresponding figures for each of his 16 predecessors. Outstanding long-term debt, which includes both national and local government debts, has inflated to $6 trillion, or 1.3 times Japan's GDP—a per capita debt of about $48,000.

The official justification for such indebtedness is that economic recovery depends on massive injections of money. But these enormous expenditures also conveniently serve the pork-barrel objectives of the LDP, keeping thousands of small construction companies afloat and their more than six million employees engaged in government-funded public works around the country. The 2000 budget, for instance, is dominated by traditional construction projects, such as extensions of the *shinkansen* bullet train to less-populated areas of Tohoku and Kyushu. The public-works portion of the overall budget is too high, and the shares within it of traditional public-works categories, such as agricultural land improvement and road construction, are too fixed. Such projects entail huge investments but contribute nothing to economic efficiency. Rather, they typify the wasteful, unproductive, and environmentally questionable nature of much of Japan's public infrastructure spending.

Japanese leaders routinely backtrack on key reforms.

One symbol of this fiscal rigidity is Japan's constant emphasis on road-building. Japan has a higher ratio of paved to unpaved roads than in the United States, yet road construction invariably consumes almost 30 percent of annual public-works outlays. Although the Obuchi administration created new categories of public-works expenditures, such as quality-of-life programs, information-technology and telecommunications projects, and improved distribution networks—all designed to contribute to economic revival—these new categories accounted for less than 6 percent of proposed budgetary allocations. And the innovative gloss of so-called millennium projects scheduled for 2000–2001 cannot hide the fact that they have served as excuses for ministries to bid for new money by aligning their requests with new expenditure goals.

The problem with all this is that the government's main weapon for reviving the economy—fiscal stimulus to spur domestic demand—

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

entails substantial risks down the road. The government's increasingly lavish spending spree, financed by debt, courts future fiscal disaster and other detrimental developments, such as rising long-term interest rates. Deficit spending is not accompanied by reforms that promote greater efficiency and competitiveness. Nothing is in place to help sustain growth when the effects of the fiscal stimulus wear off. But Japan's fragile economy presents a golden opportunity for the government to discard its conventional spending habits and adopt new, more effective ones. Spending on the right projects and sectors of the economy will yield an economic renewal impossible under the current spending patterns.

Furthermore, the government must resume its deregulation agenda. Two-thirds of 254 Japanese economists at a gathering in late 1999 chose deregulation as the most important means for bringing about an economic recovery. Deregulation will encourage business start-ups, breed new industries, and entice new market entrants into existing sectors. The results will be a more competitive business environment, greater corporate efficiency, lower prices for consumers, new jobs, and increased consumer spending. These moves should be complemented by government spending on projects that boost productivity, as well as by stopgap measures such as job retraining and expanded financial aid for job placement agencies.

SIX DEGREES OF SEPARATION

UNDERLYING the country's economic difficulties lies the fundamental obstacle to reform: Japan's political and administrative structure is not equipped to embrace radical change. Existing government systems are preventing real reforms from taking place. In this respect, Japan is facing a crisis of governance. Not only do politicians pander to special interests, but vested interests are institutionalized in the very structures of governance.

Within the LDP, vested interests are embedded in informal policy cliques (*zoku*) that dominate the party's policymaking committees and government ministries. These cliques cluster in specific policy fields such as construction, the postal system, telecommunications, small and medium-sized enterprises, transportation, welfare, and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

agriculture and forestry. Characteristically, the special interests that form the major building blocks of the LDP's support structure—such as small retail businesses, transportation, construction, wholesaling, and distribution, as well as farmers and postmasters—oppose deregulation and economic liberalization. The *zoku* act as their most powerful voice within the party, in exchange for votes and funds. The *zoku*s' importance as party fundraisers and vote-gatherers ensures that their members rise up the LDP hierarchy and gain executive positions both in the party and in government—where special interests can be championed at the highest levels. *Zoku* power helps explain the rigidity of public-works spending across the standard categories of expenditure—because *zoku* politicians make sure the MOF's Budget Bureau does not interfere.

Vested interests are also entrenched in the Diet, whose members maintain their own personal support groups (*koenkai*), which serve as grassroots campaign machines. Interest-group leaders and local business owners are important members of the *koenkai*. But these support groups impose their own obligations on Diet members, notably patronage. Local constituents seek favors from their representatives in Tokyo, who seek to grant them by interceding with administrative authorities. Politicians pressure government officials' decisions about the granting of licenses and permits for businesses, the maintenance of protectionist measures, the allocation of subsidies for public-works projects, and the awarding of public-works contracts. When unpopular decisions are being considered, politicians flood informal Diet members' committees to signal their support for local interests. *Koenkai* members respond with financial and campaign support and by delivering their votes and those of allied interest groups and companies.

Strikingly, personal support groups can be bequeathed to political successors as fully functioning constituency machines—testifying to the strength of these patronage connections and the consequent resilience of *koenkai*. The vested interests bound up in the *koenkai* get handed down through generations; second- and third-generation politicians inherit their fathers', fathers-in-law's, and grandfathers' *koenkai*. In the 1996 general election of the lower house of the Diet, 122 sons, daughters, sons-in-law, and grandsons of former Diet members won seats in the 500-person house. More important, 51 percent of the ruling LDP came from second- and third-generation Diet members.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

For bureaucrats, vested interests are institutionalized in the practice of *amakudari*—"descending from heaven"—whereby bureaucrats retire from government ministries and agencies into executive posts in semipublic organizations and onto the boards of banks, industry associations, and big corporations. Systems of regulation require that corporations maintain good connections with regulators; hence the need to give posts to ex-officials who can provide access to the ministry. Apart from offering bureaucrats lucrative postretirement positions, companies operating within regulatory nets also provide all kinds of "private goods"—wining and dining, golf-club memberships, interest-free loans, domestic and overseas travel, and bribes. Regulations thus sow the seeds of corruption as businesses try to gain the favors of regulators and bureaucrats sell their favors for personal gain. Shusei Tanaka, a former leader of the Sakigake Party, recently accused MOF bureaucrats of not wanting to relinquish their oversight of financial risk management because this role provided them with financial institutions to join after leaving government service.

Vested interests are woven into the political fabric of Japan.

Critical to the maintenance of regulatory systems are the thousands of "semipublic" organizations that act as auxiliary government agencies. These entities take the form of public corporations, "approved" corporations, and "public-interest" corporations attached to individual ministries and agencies. Their fundamental purpose is to extend the regulatory reach of the mainstream bureaucracy into industry sectors and provide high-level jobs to retired bureaucrats. They consume vast government subsidies, as well as loans from the Fiscal Investment Loan Program—the massive public-infrastructure pork barrel financed largely by the postal savings system. Despite the enormous costs and staggering inefficiencies of these semipublic bodies, Japan's deregulatory and administrative reform programs have left them almost untouched.

Vested interests have become woven into the very administrative and political fabric of Japan. Not surprisingly, relying on politicians and bureaucrats to change this fabric has yielded few results. The ideas and impetus for change must therefore come from nontraditional sources. In an attempt to circumvent LDP politicians and the bureaucracy,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Japan's prime ministers have established several "special advisory councils" on deregulation and administrative reform dominated by representatives from business and academia. This new approach—or "council politics"—got its biggest push from Prime Minister Yasuhiro Nakasone and has been continued by most of his successors. But proposals for change can be exploited to make prime ministers look good and create the illusion of reform, even though they amount to little more than good intentions. Even in the best scenario, in which Japanese prime ministers seek bold reforms prompted by advisory-council recommendations, these bodies and their recommendations can still be influenced and even sabotaged by bureaucrats. Government officials exercise practical controls over council processes through the information they make available to council members, the guidance they provide on drafting council reports, and their influence over membership selection. Ministries also have their own representatives in the advisory councils (both current and retired officials) and strategically infiltrate the coordinating agencies of the government's deregulation and administrative reform programs—the Management and Coordination Agency and the Economic Planning Agency.

Finally, bureaucrats have managed to penetrate the administrative infrastructure surrounding the prime minister: the prime minister's office, the cabinet secretariat, and the prime minister's official residence. These executive agencies are all colonized by mainstream bureaucrats—particularly from the MOF and the Ministry of International Trade and Industry—whose primary loyalties are to their original ministries. As part of the prime minister's inner circle, the bureaucrats are ideally placed to subvert all aspects of reform and can monitor the transmission of information between the ministries and the prime minister. Their input into the drafting of laws from advisory-council recommendations also lets them shape reform legislation itself.

DECONSTRUCTING MEIJI

DESPITE THE FACT that the Japanese economy has repeatedly shown that old methods and policies do not work, the push for reform has been vetoed by bureaucrats and LDP politicians. The modest injection of dynamism into the economy effected by corporate restructuring,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the information-technology boom, the explosion in e-commerce, and the dissolution of traditional *keiretsu* corporate groups—legacies of the *zaibatsu* conglomerates that were broken up after World War II—is not enough to offset the drag of vested interests and myopic, self-serving bureaucrats and politicians.

Most Japanese harbor grave doubts about whether existing institutions—with their poor record—can bring about much-needed reforms. This pessimism is holding back consumer spending and undermining Japan's shaky economic recovery. The structure of vested interests, therefore, needs to be dismantled. But this would require the major beneficiaries to voluntarily give up their concessionary rights. Unfortunately, the improbability of this only confirms today's deep pessimism about Japan's future. As policy developments in recent months have demonstrated, the will to reform is easily dissipated.

Japan is on the brink of structural decline. The signs are already present: Japan's national income in 1998 marked the first yearly decline since the end of World War II. In 1999, the country's per capita GDP slumped to seventh worldwide, behind Switzerland, the Scandinavian countries, and the United States—a major fall from 1993 and 1994, when Japan topped the list. Furthermore, Japan's trade surplus shrank in 1999 for the first time in three years, dropping 11.7 percent to $118 billion.

With dwindling economic fortunes will come a decline in Japan's international influence. A government saddled with massive debt has less for expensive defense equipment, foreign aid, donations to international organizations, and "host nation" support—the money that effectively subsidizes the American military presence in Japan. All are essential elements of Japan's international status and influence. In the 2000 budget, foreign aid was cut, and Japan's contribution to U.S. military expenses ended up smaller than the Defense Agency's request for the first time since 1978.

But Japan's reform is also contingent on opening up the country's economy and businesses to foreign products and services, as well as to foreign investors, takeovers, and mergers. This internationalization should also include an opening of Japanese society and culture to foreigners. Immigration entails not just the entry of temporary migrant labor to fill difficult and dangerous jobs, but the inflow of migrants who stay and become part of the social, economic, and political fabric

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the nation. Immigration will also import demand and innovation into the Japanese economy. In its absence, the domestic market will shrink inexorably, the government's revenue base will contract, and an aging society will demand more from social welfare services.

Many of these pessimistic views are shared by Japanese opinion leaders in business and academia. They have also been endorsed by the prime minister's advisory council on "Japan's Vision for the 21st Century," which presented its report in January 2000. The council wrote, "We share a sense of urgency, an anxiety that Japan might go into decline if things stay unchanged." It goes on to exhort the Japanese people to muster the courage to face the challenges ahead. The council offered many radical, unprecedented proposals urging Japan to shrink the government by accelerating deregulation, curb pork-barrel spending, and give the Japanese citizenry a direct vote in electing the prime minister, thus creating a new power center to check the bureaucracy and special-interest politicians.

On receiving the report, Obuchi said that Japan was facing a "third revolution" comparable to the Meiji Restoration and the American-imposed Occupation reforms. But as the *Asahi Evening News* points out, the Meiji Restoration destroyed the old ruling class of 1.5 million samurai, and the early postwar reforms purged 200,000 wartime leaders from public office. In both cases, the result was a fundamental transformation of the structure of governance by a powerful new force. It remains to be seen whether the current Japanese system can generate a similarly radical response.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

China: The Forgotten Nuclear Power

Brad Roberts, Robert A. Manning, and Ronald N. Montaperto

EYES EAST

A DECADE after the end of the Cold War, the world faces the risk of new strategic instability. Policymakers in Washington, Beijing, and Moscow are moving toward decisions that may unintentionally increase nuclear dangers. The heart of the problem lies in insufficient attention to the intersection of three policy currents: American missile defenses, U.S.-Russian nuclear diplomacy, and Chinese nuclear modernization. Unless all three are given full consideration, American decisions in coming months could lead China to initiate a major buildup of its nuclear forces, increase Sino-Russian strategic cooperation, and jeopardize both efforts at arms reduction and the effectiveness of any American missile defenses that are eventually deployed.

A lingering bipolar mindset has left China the forgotten nuclear power. It is time that Washington turned its eyes to the East and came to grips with the fact that over the next decade it will likely be China, not Russia or any rogue, whose nuclear weapons policy will concern America most. The People's Republic has been modernizing its modest nuclear arsenal for 20 years and will continue to do so

---

BRAD ROBERTS is Fellow at the Institute for Defense Analyses. ROBERT A. MANNING is C.V. Starr Senior Fellow and Director of Asia Studies at the Council on Foreign Relations. RONALD N. MONTAPERTO is Senior Research Professor at the National Defense University. The opinions expressed herein are their personal views.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

regardless of the actions of other nations. But external developments will influence the final contours of China's nuclear modernization program. In fact, Western actions have already had some effect, and not for the better. The Gulf War and the air war over Kosovo, for example, reinforced Chinese worries that precision-guided conventional weapons could destroy China's existing nuclear second-strike capability.

Such concerns about the erosion of China's nuclear deterrent have been largely dismissed by Americans, whose debates about national missile defense (NMD) have centered instead on the emerging dangers of small-scale missile launches from countries such as North Korea or Iran. Apart from questions of technological feasibility, the greatest obstacle to the deployment of such defenses has been thought to be the negative effects they might have on U.S.-Russian arms control agreements. Yet Washington seems determined to proceed with NMD whether or not it can find some way to overcome the current disagreement with Russia on modifying the Anti-Ballistic Missile (ABM) Treaty.

Less often discussed is the fact that whatever Moscow's reaction will be, Beijing will almost certainly regard the plans for the deployment of NMD as a challenge to its own nuclear deterrent. As a result, Chinese decision-makers may even now have begun worst-case planning to offset what they perceive to be an emerging threat. It is high time, therefore, to take a close look at China's current strategic posture, nuclear doctrine, and arms control strategy.

THROUGH A GLASS, DARKLY

EXAMINING CHINA'S strategic posture poses a major challenge, because China is quite deliberately the least transparent of the acknowledged nuclear powers. The American government keeps its own assessments of China's arsenal tightly classified, and so discussion must proceed on the basis of the limited data available.

China exploded its first nuclear device in October 1964, and its first hydrogen bomb shortly thereafter. All told, China has conducted 45 nuclear weapons tests in 33 years—a number identical to Britain's, but far less than the 1,030 conducted by the United States. Until recently, Beijing invested only modestly in its nuclear forces, and as a 1996

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

signatory of the Comprehensive Test Ban Treaty (CTBT), it has accepted constraints on its modernization efforts.

China's nuclear force is designed for two types of missions: medium- and long-range strategic strikes (to which approximately two-thirds of its warheads are devoted), and tactical uses including low-yield bombs, artillery shells, atomic demolition mines, and possible short-range missiles (together accounting for the remaining one-third). The core of the strategic force is composed of ballistic missiles, most of which are tipped with conventional warheads and have ranges suitable for use within Eurasia. Reportedly, about 20 missiles—a small fraction of the long-range strike force—are capable of reaching targets in the continental United States. Because the bulk of China's aging missile force is liquid-fueled, the missiles are on a low state of alert, with fuel, warheads, and missiles all stored separately. At present Beijing has no ability to launch "on warning"—that is, at short notice or once an attack has already begun—but this will change once it deploys more advanced missiles in years to come.

China is quite deliberately the least transparent nuclear power.

China's emphasis on land-based missiles has stemmed in part from its apparent lack of success in developing other long-range delivery systems. Although Beijing has pursued the ability to launch missiles from the sea for decades, its current force reportedly consists of only one submarine, armed with 12 medium-range Julang 1 ballistic missiles. China has also devoted some effort to developing a nuclear bomber capability. But for the moment its few bombers remain old, highly vulnerable, and unable to reach the continental United States. China therefore lacks the full strategic "triad" (made up of land-, sea-, and air-based weapons) enjoyed by the United States and Russia.

Aware of these deficiencies, Beijing is intent on modernizing its missile force to improve its range, payload, accuracy, and survivability. It wants to be better able to penetrate enemy defenses, to have more advanced command, control, and communication systems, and to gain the ability to attack space-based assets. The availability of advanced Russian technologies has expanded China's wish list to include alternative delivery techniques such as cruise missiles and new submarines with ballistic missile launching capability.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

One of the first tangible results of the Chinese modernization program will be the deployment in the near future of the new, long-range DF-31 missile, which was successfully tested in August 1999. The solid-fueled, road-mobile DF-31 has a range of about 8,000 km and will be targeted primarily against Russia and Asia—though it will also be capable of attacking sites in northwestern America. A naval variant of the DF-31 is also planned, and a still-longer-range system, the DF-41, is under development. American analysts agree that China has long had the ability to equip its ballistic missiles to deliver multiple warheads but has chosen not to do so. They disagree, however, about whether China can target those multiple warheads independently—that is, whether China has true MIRV capability.

China's deployment of short- and intermediate-range missiles, meanwhile, is increasing, particularly in Fujian province across the strait from Taiwan. The reported number of missiles deployed there grew from about 20 in the mid-1990s to between 160 and 200 in early 1999, and it is estimated that the number might rise to between 500 and 650 within five years. These missiles are generally thought to be tipped with conventional warheads, although some reports indicate they could be given nuclear payloads.

THE MAXIMUM FOR THE MINIMUM

FROM ITS START in the 1960s, China's nuclear posture has been one of "minimum deterrence": a small number of missiles are deployed in a pattern designed to ensure that if attacked first, the country would still be able to inflict unacceptable damage on its opponent. Minimum deterrence calls for potential retaliatory strikes against large "value" targets such as cities; it differs from "limited deterrence," which implies some nuclear war-fighting capabilities. Beijing's doctrine has been essentially a defensive one, designed to preempt nuclear blackmail and to guarantee China a place at the councils of the major powers.

Strong evidence suggests that the utility of this long-standing doctrine is currently being questioned. Some Western observers, for example, interpret the modernization program as representing a shift from minimum to limited deterrence. Others see a differentiation and diversification of Chinese doctrine taking place, which would

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ultimately yield a credible minimum deterrent against the United States and Russia, a more aggressive posture of limited deterrence for China's theater (i.e. shorter-range) nuclear forces, and an offensively configured, war-fighting posture for its conventional missile force. The possibility of a military confrontation with Washington over Taiwan dominates this debate. Chinese analysts seem to have concluded that more nuclear muscle is needed to avoid being coerced, and Beijing apparently believes that advanced missile capabilities offer the prospect of leverage it can use to secure the island's reunification with the mainland.

How big China's nuclear force becomes is largely a matter of will, not capability. Beijing certainly has more than enough fissile material for a substantial increase in its nuclear arsenal. It can also afford a major expansion of its missile force. It is generally accepted that China could produce as many as a thousand new missiles, mostly short-range, within the next decade, and some reports indicate a Chinese capability to produce 10–12 new long-range intercontinental ballistic missiles (ICBMs) per year.

An active Chinese MIRV program, of course, would dramatically increase the number of deliverable warheads. The U.S. House of Representatives Select Committee on U.S. National Security and Military/Commercial Concerns with the People's Republic of China—the Cox Committee—concluded that China is capable of an "aggressive deployment of upward of 1,000 thermonuclear warheads on ICBMs by 2015." A recent unclassified National Intelligence Estimate, however, predicts a much smaller deployment amounting to tens of ICBMs capable of targeting the United States, including a few tens of more survivable, land- and sea-based mobile missiles with smaller nuclear warheads.

A DANGEROUS NEIGHBORHOOD

DURING THE 1950s and 1960s, China's nuclear program was driven by challenges from the Soviet Union and the United States. Today both countries remain a profound concern for Beijing, but it has new worries as well, such as the emerging nuclear and missile capabilities in South Asia. (Here, of course, China's long-standing nuclear assistance

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to Pakistan is partly responsible for the problem.) Beijing's protestations that increased Indian nuclear capabilities will not produce a change in China's nuclear posture ring hollow. If India's Agni missile is deployed on mobile systems, as appears likely, this will further complicate Chinese nuclear planning. And if India moves to build a substantial number of warheads, Beijing will almost certainly resize and restructure its own nuclear arsenal.

China's nuclear missile force is closer in size to a so-called rogue state's than it is to Russia's.

Japan is another important factor in Beijing's nuclear calculus. Over the last decade, China has alternately feared that Japan would be drafted into a U.S.-led containment strategy or would be driven by a diminished American regional presence to confront China with its own nuclear force. Any deployment of theater missile defenses in Japan could provoke China to increase the number of weapons targeted there, including those with nuclear warheads.

As for Russia, Chinese thinking is conflicted. First and foremost, China appreciates Russia as a key source of advanced technology. At the same time the Chinese also seem concerned that despite having signed a no-first-use agreement with them, Russia has subsequently elaborated conditions under which it would indeed consider a first strike. If Russia were to deploy enhanced strategic defenses to protect its nuclear forces, China would be even more inclined to enlarge its own nuclear forces in order to retain a secure retaliatory capability.

The Chinese are skeptical, meanwhile, about Washington's professed commitment to de-emphasizing nuclear weapons in its current and future defense policy. Beijing thinks that the Pentagon remains committed to the centrality of such weapons in U.S. strategy, and it interprets U.S. reluctance to embrace a no-first-use doctrine as an indication of American planning for the use of nuclear weapons preemptively. China believes that the United States has a huge current quantitative advantage in destructive capability and will be able to increase its qualitative lead, as well, thanks to its greater technological sophistication. Furthermore, China believes that since U.S. counterforce capabilities can eliminate most of China's current second-strike capability, the addition of even a thin U.S. missile defense system would usher in a world in which the United States could dictate terms.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

American officials and pundits have given considerable thought to the problem of constructing a missile defense system large enough to neutralize any threat from North Korea or the Persian Gulf but not so large as to render current Russian forces useless. The missing ingredient in these calculations has been China, which poses a particular problem because the size of its nuclear missile force is much closer to that of the so-called rogues than it is to Russia's. Even a thin U.S. NMD system could be viewed by Beijing as degrading China's nuclear deterrent. A move toward such a system could therefore motivate the Chinese to adjust their strategy and doctrine to compensate, by building larger forces and developing countermeasures to overwhelm U.S. defenses. This in turn would probably cause the United States to shift toward thicker defenses, creating a spiral that could become, if not a full arms race, then at least a jog. The initial American move would thus end up complicating the very problem that missile defenses were supposed to solve.

Beijing's initial response to U.S. NMD planning was signaled by its October 1999 announcement of a program earmarking an additional $9.7 billion to boost its second-strike capabilities. If the United States proceeds to deploy some 200 interceptors at two national sites (including one in Alaska) in the context of agreed minor amendments to the ABM treaty, China may well conclude that ensured penetration will require a buildup of its own long-range missile force and possibly also the introduction of some MIRVs, along with other countermeasures. If the United States goes further and pursues a broad range of sea-, air-, and space-based missile defense systems, China may seek a far more substantial capacity for itself, one that would enable it to overwhelm both national and theater defenses with both conventional and nuclear missiles. And if the United States goes so far as to withdraw from the ABM treaty entirely, China is likely to embark on a full-scale drive for a far more powerful nuclear force, concluding that Russian and other critics have been correct in arguing that the United States has no intention of stopping with a thin defense aimed at rogues but intends to erect a strong defense against all comers.

Chinese rhetoric conveys Beijing's increasing wariness of American power and intentions—a wariness that has already had an impact on Beijing's defense investment strategy and its willingness to support

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Washington's policy initiatives in other areas. The future of the Chinese nuclear program, nevertheless, is still up in the air, with three possibilities particularly likely. The first would involve China's trying to preserve or restore minimum deterrence with the United States by increasing the number of its ICBMs and enhancing their effectiveness in penetrating defenses. The second would involve China's concentrating more on India, remaining committed to minimum deterrence globally while moving toward more robust limited-deterrence strategies at the theater level. And the third would involve China's choosing to develop and deploy a force powerful enough to inflict significant pain on all adversaries in nearly all situations; here China would embrace limited deterrence across the board.

Elements of all three scenarios are visible in Beijing's present activities. For example, ongoing research and development of longer-range missiles and defensive countermeasures suggests movement in the direction of the first option. Large-scale deployment of missiles capable of targeting China's regional neighbors suggests the second option (albeit with a small nuclear component). And movement toward the third option can be inferred from ongoing investments and research, development, and deployment programs.

From Washington's perspective, the best outcome would be for China's nuclear forces to stay small and composed only of single-warhead missiles. The United States should seek to reduce the Chinese threat to American friends and allies in the region and try to ensure that China's strategic modernization does not block progress in reducing the Russian arsenal. The United States also has an interest in deploying viable theater missile defenses where they seem necessary, while taking care that Beijing does not see such deployments as gratuitously provocative. Securing these interests will require an understanding between Washington and Beijing on mutual intentions, capabilities, and future requirements.

SQUARING THE TRIANGLE

THE OLD bipolar strategic model simply does not fit post–Cold War realities. In addition to obscuring an important Sino-Russian nuclear dynamic, the bipolar focus fails to acknowledge that at some point

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Washington and Moscow's build-downs will intersect with Beijing's buildup. Establishing longer-term security and stability will require that the United States recognize the inevitable interaction between any nuclear "floor" that the United States and Russia might establish (either inside or outside the ABM treaty) and the "ceiling" that China chooses to erect.

Is minimum deterrence among the three major powers feasible, and would it be stable? What new forms of arms racing might occur, involving not merely offensive weapons but defensive weapons and countermeasures as well? Even if the three powers somehow arrive at a common notion of offensive or defensive stability among themselves, how will this be affected by Chinese concerns over Indian nuclear forces? And how might Russia have to account for possible future proliferation along its southern periphery? These are the kinds of questions that the emerging strategic multipolarity forces us to ask.

China was generally opposed to arms control during the Cold War, seeing it as an instrument for preserving the hegemony of stronger powers. But this mindset has evolved in recent years, as has China's understanding of arms control issues. During the last decade China has signed the nuclear Nonproliferation Treaty (NPT), the Chemical Weapons Convention, and the CTBT. China also supports the negotiation of a ban on the production of fissile materials and has agreed to bring its technology export practices more fully into compliance with international norms. In 1997 it joined the Zangger Committee, which, under the NPT, coordinates nuclear export policies. It has taken steps to address U.S. concerns about missile and chemical proliferation as well. There is no question that its current arms control and nonproliferation practices are significantly closer to U.S. preferences than they were a decade ago.

Nevertheless, Washington remains justifiably concerned about the depth of China's commitment to these undertakings. Reports continue to surface of disturbing Chinese transfers of weapons-related technologies and materials, and American officials believe China is not fully in compliance with its obligations under the Biological and Toxic Weapons Convention, to which it acceded in 1984.

The truth is that Beijing's arms control policies are ambiguous and in flux. Beijing may see arms control as part of an integrated set of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

policies aimed at enhancing national security and international stability. It may also view arms control negotiations as a way to increase leverage in bilateral ties with Washington, or as part of a larger effort to impose constraints on American freedom of action. And finally, it remains possible that Beijing pursues arms control at the rhetorical level but not in a way that has any actual impact on military decisions.

TO THE BARGAINING TABLE?

ONE CONSISTENT FEATURE of Beijing's nuclear arms control policies over the years has been an avoidance of negotiated constraints on its modest arsenal. In the 1980s Beijing argued that it need not address arms control issues until the superpowers reduced their nuclear arsenals by 50 percent. When the United States and Russia then cut back by 60 percent, the Chinese switched to arguing that the Americans and the Russians should come down to China's level—roughly 400 warheads—before talks could commence. Today, with the United States and Russia continuing to build down and China modernizing, the old Chinese logic no longer applies, and the time is fast approaching for the United States to put China's intentions to the test.

The current environment, it is true, does not appear favorable for the negotiation of sweeping new formal arms control accords. China sees the American drift toward missile defense as irreversible, and thus is unlikely to accept any restraint on its missile forces. The United States, meanwhile, is unlikely to accept restraints itself, not least because it has not yet decided what role it wants nuclear weapons to play in its own post–Cold War defense strategy. Yet the real possibility that uncoordinated decisions by Washington, Moscow, and Beijing could set off new, unintended, offensive versus defensive arms competition makes some kind of high-level discussions on the subject imperative.

At a minimum, Washington needs to rethink its nuclear and missile defense policies to take Chinese concerns and possible reactions into account. American policymakers, for example, have yet to analyze how effective their planned national missile defenses may be if China implements MIRVs, adds several hundred warheads, or obtains better penetration aids, countermeasures, and targeting assistance from Russia.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The United States should also go further and try to reach some understanding with China about what the conditions might be for strategic stability in the Sino-U.S. relationship and how to handle regional proliferation and arms control issues in areas such as the Korean Peninsula, South Asia, and the Middle East. China may just prefer an open-ended nuclear modernization program to any framework that the United States suggests. But by not putting Chinese intentions to the test, American policymakers risk ending up with the worst of both worlds: missile defenses that are less effective than they might have been, and Chinese and Russian strategic responses that leave the United States less secure than before.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Colombia's Two-Front War

Rafael Pardo

SEND LAWYERS, GUNS, AND MONEY

DURING THE 1980S, Latin America was at the forefront of U.S. foreign and security policy. But as the Cold War ended and local conflicts subsided, the region slipped onto a strategic back burner. Washington's interest in it was sparked chiefly by financial opportunities or crises. Now Latin American battles are once again in the news as civil strife in Colombia becomes a serious security threat not only to the Andean region but to the broader hemisphere as well.

The Colombian conflict is deep-rooted and complex, involving two basic issues (drugs and control of the country) and three warring factions (the government, left-wing guerrillas, and right-wing paramilitaries). What is more, it is now boiling over: in addition to battling the government, the guerrillas kidnap neighboring Venezuelans and Ecuadorians; the paramilitaries smuggle weapons from bases along the Panamanian border; and hundreds of citizens from dozens of foreign countries are taken hostage annually. Despite years of antidrug efforts and the destruction of the powerful Medellín and Cali cartels, Colombia remains the world's largest producer and exporter of cocaine and the second-largest supplier of heroin to the United States.

These problems cannot be solved by Colombians alone. The country needs international help, particularly American engagement. But foreign involvement will make a difference only if it comes in the proper form.

RAFAEL PARDO is President of the Milenio Foundation, based in Bogotá. He was a special adviser for peace negotiations to Colombian President Virgilio Barco from 1986 to 1990 and Colombia's first civilian Minister of Defense from 1991 to 1994.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Clinton administration has recently proposed a $1.7 billion aid package, the largest in Colombian history. Of this, $1 billion would go toward improving the Colombian military's capacity to suppress coca planting—buying helicopters, spare parts, training, and intelligence equipment to help the army destroy coca crops and retake guerrilla-held areas. The other $700 million would finance coca substitution programs, public works in sensitive regions, and improvements in Colombia's judicial system and human rights protections. The U.S. aid would be part of a broader three-year, $7 billion "Plan Colombia" that includes multilateral loans and contributions from Europe. The plan is designed to strengthen Colombian institutions, sponsor regional development of the coca areas, and help reduce drug production.

Plan Colombia is an important step in the right direction, and most ordinary citizens have welcomed it. We Colombians understand that the drug issue is critical, not least because the guerrillas and paramilitary forces rely on the financial backing of drug traffickers to keep fighting. But we also know that the conflict involves more than drugs and that, by itself, Plan Colombia will not answer all our problems.

Those problems are not to be taken lightly. The cost of the drug war has been staggering. In the last 15 years, 200 bombs (half of them as large as the one used in Oklahoma City) have blown up in Colombia's cities; an entire democratic leftist political party was eliminated by right-wing paramilitaries; 4 presidential candidates, 200 judges and investigators, half the Supreme Court's justices, 1,200 police officers, 151 journalists, and more than 300,000 ordinary Colombians have been murdered.

Despite this toll, the international community in general and the United States in particular must understand that the Colombian government's conflict with the guerrillas can be solved only through negotiations. If the current peace talks fail, the country will plunge into all-out war and Colombians will lose their democracy. Early in the negotiations, the United States met privately with the main rebel group, the Revolutionary Armed Forces of Colombia (FARC), but American participation was suspended last year after FARC killed three human rights activists. The guerrillas have shown little remorse and exonerated the commanders who the American and Colombian police believe ordered the killings. But making sure the peace process

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

moves forward is so important that the United States should get substantively involved once again and make a negotiated end to the war in Colombia a central goal of American foreign policy.

THE COCA LORDS

THE ROOTS OF Colombia's current drug problems lie in the decision by local smugglers and traffickers to turn the traditional Andean coca crop into a thriving international business. In 1975, these entrepreneurs were already producing 70 percent of the world's supply of marijuana. Looking ahead, they saw better prospects in cocaine. (Two decades later, in much the same way, they would capitalize on growth opportunities in heroin.) In the 1970s, cocaine was available in the United States and Europe, but it was expensive and hard to find. Colombian drug interests financed experiments until they hit on a formula for coca paste: crushed coca leaves mixed with gasoline, cement, and ether. This recipe produced cocaine chlorohydrate, which was then dried in the middle of the jungle in ordinary microwave ovens operated by generators. The resulting cocaine was shipped to U.S. markets in small planes and sold for up to $30,000 per kilogram in New York and Chicago.

The keys to the scheme's success were that the formula was simple and the ingredients were readily available. The new method made the traffickers much richer and gave rise to the drug cartels, which came to specialize in particular niches of the drug economy: transportation, processing, money laundering, and distribution. When the cartels realized that regular, powder cocaine was too expensive to market in poor communities, the drug lords then invented "crack," and another stage in the business—and the world's addictive nightmare—was born.

The growth of the cartels turned Colombia upside down. In 1978, Colombia's drug revenue was $2 billion. By 1985, that flow had increased to $3 billion—an astronomical figure, given that Colombia's GNP was then only $40 billion. The wealth was grabbed by a few hands and invested in such safe sectors as urban real estate and huge rural haciendas. (This helped create the coalition between landowners and drug traffickers that now finances the paramilitaries.) Drug prices shot up, and the flow of dollars multiplied, throwing off the exchange rate. Traffickers used their dollars to buy luxury items and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

other merchandise abroad and sell them for less than their value at the duty-free zones that sprang up around Colombia. Today, for example, one can buy a Japanese stereo in Colombia for less than in Tokyo. Such unfair competition almost destroyed the legitimate local Colombian economy.

The booming cocaine industry also deformed Colombia's morals. Riches, no matter how ill-gotten, became the goal of many Colombians, and respect for civic rights, education, and honest work declined. The judicial system and other government institutions crumbled before narcotraffickers determined to carve out a sphere for their illicit businesses through violence and corruption.

The Colombian state tried to deal with these problems but was simply too weak. In 1979, for example, Colombia and the United States signed an extradition treaty that would permit Colombian nationals to be tried in the United States. Such treaties are hardly unusual, but in Colombia the deal elicited a declaration of war from its likely targets. With their fortunes, the drug traffickers organized an armed gang called the Extraditables and launched a terrorist campaign with the motto, "We prefer a tomb in Colombia to a jail cell in the United States." To show it meant business, the group assassinated a Colombian Supreme Court justice. The war then moved on to journalists, politicians, and police officers. Hit men received $2,000 for each cop they killed. Eventually the drug lords went after Colombia's civil society as well. They blew up a plane with 109 passengers on board, set off car bombs in shopping malls, and dynamited the headquarters of the federal investigative agency. They even financed the passage of a constitutional amendment by the Colombian Congress prohibiting extradition.

To show they meant business, the drug lords assassinated a Supreme Court justice.

Lawlessness spread uncontrollably not because of a lack of controls or laws but because the combination of drugs, corruption, and insurgency makes any type of control ludicrous. Colombia has one of the most sophisticated legal systems in the hemisphere and every conceivable law in the book, but 70 percent of all crimes remain unsolved, and it ranks among the top three most corrupt countries in the world according to Transparency International.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In September 1989, the Bush administration declared a new war on drugs, granting more aid and coordinating a multilateral approach with other Andean countries. But Colombia was tired of the fight, beaten down by violence. Within a year, a constituent assembly elected by popular vote prohibited extradition, taking the heat off the drug kingpins. The government introduced a plea-bargaining policy that led to the partial dismantling of the cartels and the arrest of some key drug figures. But thanks to the weakness of the prison system, the cartel leaders continued to operate from behind bars. In 1992, the leader of the Medellín cartel, Pablo Escobar, escaped, and terrorism was unleashed again. But the government's military and judicial capacity had improved over the years, and Colombian police were able to gun down Escobar and finish off the Medellín cartel by the end of 1993.

Although the government has been doing somewhat better recently, even if it conquers its present troubles Colombia will always have a big problem in its midst. The country has eliminated the drug cartels, but it has never understood that the drug trade from the 1970s and 1980s created a new social class—an elite that grew rich through drug trafficking, that will fight to keep its business alive and thriving, and that is quite willing to use violence, terrorism, and corruption. Such people financed the guerrillas and paramilitaries. The drug class has spread corruption money around Congress and other Colombian institutions and financed the campaign of a former president. Traffickers know their market, and they knew that they should not work in big cartels. That business acumen has paid off, and more cocaine than ever is now being imported to the United States, according to recent reports. The violence produced by traffickers in Colombia is closely linked to the appetite of consumers in the United States and Europe—another good reason why attention must be paid.

GUERRILLAS IN THE MIST

In a parallel set of developments, Colombia became embroiled in a local variant of the Cold War during the 1960s. Rural guerrillas gained influence in the country's jungles and mountains. The armed bands were made up of the remnants of peasant groups that had rebelled against the government in the previous decade (later gathered into FARC) and newer groups promoted by Cuba (including the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

National Liberation Army, or ELN). These guerrillas caused some harm but never threatened the country's stability.

That began to change in the 1970s, when new urban terrorist groups started to appear. The best known of these, the M-19, burst onto the scene in 1982 when it took over the Dominican Republic's embassy in Bogotá. The group held 14 senior diplomats hostage, including the papal nuncio and the U.S. ambassador; after negotiations, they left for Cuba with some of the hostages and $5 million. The M-19 followed up this coup with other spectacular stunts, including a dramatic 1985 takeover of the Palace of Justice, during which they kidnapped the entire Colombian Supreme Court and exchanged heavy fire with the Colombian army. In the end, more than 100 people were left dead, including most of the justices.

In 1989, the government began serious peace talks with the M-19 that culminated in a peace accord the following year. Several smaller guerrilla groups also took part, and some 5,000 rebels wound up turning in their weapons. As part of the deal, the government designated temporary demilitarized zones in the countryside where the demobilized rebel troops would be safe from outside harassment to give them a measure of security during the negotiations. The settlement worked, and today many of these former guerrillas are prominent politicians and public officials.

But the two largest guerrilla forces—FARC, which has 12,000–15,000 troops, and the ELN, which has 3,000–5,000—refused to demobilize. Both groups had found independent financing that let them remain in the field and even grow stronger over time. The ELN, a Marxist/Christian group led until 1998 by a Spanish Catholic priest, discovered a profitable niche extorting money from oil companies. Since 1985, the group has bombed Colombia's main pipeline about 700 times—every

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

week or so, that is—wasting 1.7 million barrels of oil and causing serious environmental damage.

Meanwhile, FARC built up a presence in coca-growing areas, where it charged fees to plantations for "protection." In the mid-1990s, a disease destroyed almost 30 percent of the coca plantations in Peru's upper Huallaga Valley. Drug traffickers shifted their crops to Colombia's jungles, experimenting with the plants and producing a stronger coca leaf with a higher cocaine yield. As a result, the area of Colombia used for coca cultivation jumped from 20,000 to 120,000 hectares in five years. FARC took control of the crops and boosted its income to more than $600 million a year, making it possibly the richest insurgent group in history.

One guerrilla group has bombed Colombia's main oil pipeline about 700 times since 1985.

The coca plantations also provided the guerrillas with a social base for the first time in their 30 years of existence. This became visible in 1996, when coca growers held mass protests against a crop eradication push by the army. (In Colombia, most growers are not peasants—as they are in Peru and Bolivia—but hired hands recruited by traffickers from elsewhere in the country.) Egged on by FARC, more than 100,000 of these workers marched for several weeks. To end the uprising, the government agreed to limit its fumigation program to coca plantations smaller than three hectares.

Weak government institutions and guerrilla abuses opened a space for the emergence of various paramilitary forces. These groups are not formally linked with the Colombian army but often maintain some ties with it at the field level. Over the last five years, the paramilitaries have developed a common antiguerrilla political rhetoric and a centralized operational command. They are responsible for most of the country's human rights violations, including the assassinations of thousands of peasants. Given the paramilitaries' depredations, it is crucial for the long-term health of Colombian democracy that the army cut even its indirect ties to them. U.S. aid should also come with human rights considerations and strong monitoring mechanisms attached.

When President Andrés Pastrana was elected in 1998, he quickly launched peace talks with both FARC and the ELN for the first time in eight years. Following the same script as in 1990, he offered safe

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

havens to the guerrillas to make them feel secure enough to start negotiations. The first block of territory was given to FARC, which received 42,000 square kilometers—the size of Switzerland or Kentucky. But the territory was ceded without many controls, and the move has sparked criticism: this time around, the guerrillas have used their newfound freedom to arrange kidnappings, carry out summary executions, and sponsor coca plantations.

Another block of territory was recently granted to the ELN, and this time, the government tried to correct some of the mistakes it made in dealing with FARC. The ELN's safe haven takes up only 5,000 square kilometers, a bit larger than Long Island, and the zone was offered together with national and international verification mechanisms to prevent any transgressions. Nevertheless, the agreement with the ELN may still produce trouble, since the safe haven lies near areas controlled by the paramilitaries and near important oil pipelines, once the ELN's favorite target.

IN EVIL HOUR

ANY DISCUSSION of Colombia's current plight has to start with the fact that the war against drugs and the war against the guerrillas run parallel. Outright victory in either is impossible over the near term. So the most sensible course for the government and its foreign partners is a three-track strategy that strives to tamp down the violence of the civil war, limit the role and power of drug interests in Colombia's politics and economics, and lower the demand for drugs abroad.

FARC is both a narcotrafficking operation and an insurgent group seeking political power. Its strongholds are also the areas that grow 90 percent of the country's cocaine. Colombians have slowly realized that since drug money can finance a perpetual insurgency, there will be no peace without dealing with the drug plantations. Nor can the current drug-supply networks be dismantled if the guerrillas continue to operate unchallenged and control 120,000 hectares of coca, 12,000 hectares of poppies, and 5,000 hectares of marijuana. Since all groups in the Colombian conflict have independent financing, they can shrug off pressure from outsiders if they wish. Moreover, neither the government nor the rebels have any hope of total victory on the battlefield. For

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

these reasons if no others, the peace process must be nurtured until some mutually acceptable outcome can be reached. Colombians know this, but the country needs the support of the international community as well, which should play the same sort of role in Colombia that it has in such places as the Middle East and Northern Ireland.

Foreigners should be ready to step in to pressure and cajole all sides when the peace process becomes stalemated. Outsiders can assure the rebels, for example, that nothing will happen to them if they lay down their arms. Most members of armed groups fear that once they sign a peace accord and give up their weapons, they will be killed or thrown in jail. These concerns are entirely legitimate, given that during an earlier attempt at peace talks with FARC in the late 1980s, an entire FARC-backed political party was annihilated. More than 3,500 members of that group, the Unión Patriótica, either were murdered or disappeared—a crime that not only increased rebel suspicions but lowered the prospects for the eventual creation of a democratic leftist political party.

Colombia's military also has worries—chiefly that a settlement will be bought with concessions at its expense—that need to be taken into account. Balancing the need to grant amnesties with the need to prosecute war crimes will be difficult, but a start would be the formation of a truth commission like the ones created in South Africa and El Salvador.

The United States could play a more active role in fostering the peace process through the efforts of a special envoy or presidential representative, a Richard Holbrooke or Dennis Ross for Colombia. More American involvement would help bring representatives from the armed groups, the government, and civil society together for serious talks, in the manner of the Dayton and Wye accords, on a negotiated end to the conflict. In the meantime, the international community should use diplomatic pressure and observer missions to help ensure that all sides respect international humanitarian law.

I WANT A NEW DRUG POLICY

IDEALLY, at the same time the United States stepped up its diplomacy, it would also change its approach to the other half of the Colombian dilemma, the war on drugs. Current American drug policy emphasizes a unilateral or bilateral approach; what is really needed is a long-term

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

multilateral approach that stresses shared goals, increased cooperation, and sensible compromises.

Between 1989 and 1992, the Colombian government persuaded the United States to meet with Colombia and other drug-producing nations to develop new policies to combat drug trafficking. That effort to forge a multilateral approach died in 1993 when Peruvian President Alberto Fujimori staged an *autógolpe,* or self-coup, and Colombians elected President Ernesto Samper after a campaign dominated by drug money. The Clinton administration then retreated to the same tired, ineffectual, unilateral certification process—whereby drug-producing nations must demonstrate that they are making major progress in the fight against drugs or face sanctions—that has justly created so much ill will for America in the region. The time has come to revive the multilateral efforts, and include the European Union to boot. Few in Colombia believe that outright legalization would end the problem; just as there is no supply-side panacea, we know that there is no demand-side one, either. Still, Americans' and Europeans' appetite for cocaine helps fuel Colombia's misery, and anything that reduces that appetite helps. The parties on both ends of the equation need to share the blame and work out common goals on how to tackle consumption, production, and distribution.

Finally, there is the economy. The Colombian private sector has become less competitive because of the pressures of the insurgency and the drug war. Fair treatment for Colombians would include a trade initiative to let Colombian products enter the U.S. market without tariffs or barriers. This would not be a handout, just a bit of help that will create a demand for Colombia's legal exports as great as that for its drugs. Colombian flowers, shoes, coal, coffee, clothes, and textiles have been slapped with tariffs and trade barriers because they were often used by drug traffickers to smuggle drugs. Today Colombia's industries need fairer treatment. The Central American wars ended with access to the U.S. market for their products. Colombia deserves no less.

None of these policies will bring a swift end to the problems that bedevil Colombia and the region. But together, they might reduce the level of violence, reestablish public order, and lay the groundwork for a negotiated settlement down the road. Without them, even billions of dollars in aid will not be enough.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Inventing East Timor

James Traub

TEST CASE

U.N. OFFICIALS in Kosovo used to refer to the bombed-out territory they administered as "the empty shell." Then many of them were moved to East Timor, the U.N.'s latest hardship case, where they discovered the true meaning of emptiness. East Timor lacks the most basic necessities: not just doctors, dentists, accountants, lawyers, and police, but also tables, chairs, pots, and pans. Even in Dili, the capital, stop signs, traffic signals, and streetlights are nowhere to be found. It would not be far from the truth to say that East Timor has no economy. Projected government revenue for 2000 is $16 million, and most of that will come from duties on the liquor, cigarettes, cars, and other commodities consumed by foreign U.N. officials, journalists, and the employees of nongovernmental organizations.

Yet today this impoverished island is the laboratory for an experiment in what is known at the United Nations as "nation-building." The U.N. Transitional Administration for East Timor (UNTAET) is not just helping the new country's government—it *is* that government. UNTAET issues postage and UNTAET signs treaties. At the airport in Dili, a Timorese in a U.N. uniform puts an "UNTAET" stamp in each passport. In a fine if unintended piece of symbolism, the U.N. now occupies the "Governor's House," a lovely, colonnaded structure facing the ocean that served as the headquarters for both the Portuguese and then the Indonesian colonial administrations. Sergio Vieira de Mello, a Brazilian U.N. official who functions as the "transitional administrator," works from the same second-floor office that once housed the Indonesian governor.

JAMES TRAUB is a contributing writer for *The New York Times Magazine* and is currently working on a documentary about the United Nations.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The U.N. plays a similar role in Kosovo, and in the last decade it has taken on many national responsibilities in Namibia, Cambodia, Mozambique, and Eastern Slavonia. But until East Timor, the U.N. had never taken over the administration of a country with no preexisting institutions whatsoever. Nor has the organization ever enjoyed the kind of free hand it exercises in East Timor. Both the political elite and the militias that carried out its will have fled. And the Security Council resolution that established UNTAET has effectively granted it absolute power, although it makes clear that the rationale for that power is to give birth to a freestanding and democratic Timorese state.

UNTAET, then, is an exercise in benevolent colonialism. But although there is no question of the U.N.'s benevolence, its competence as a colonial master is open to question. Nor is it obvious that UNTAET's goal is even attainable. Is it possible, in a few short years, to found institutions and infuse a set of values and habits that normally accrete over generations? The idea sounds slightly fantastic, although vastly preferable to the obvious alternatives. The East Timor project rests on a wider, and welcome, recognition by the U.N. that political reform and institutional stability are the best guarantees of long-term economic development. And East Timor is the rare client that is eager to embrace such reforms. On the other hand, East Timor has no experience of democracy, or even of self-rule. The U.N. may find it easier to physically rebuild this shattered country than to turn it into a democratic state.

THE FIRE LAST TIME

TIMOR IS A TINY ISLAND located 1,300 miles east of Jakarta, 150 miles northwest of Darwin, Australia, and 200 miles south of the equator. It is ringed with lovely beaches, and the interior is lush, mountainous, and thickly forested with eucalyptus, bamboo, and teak. The Portuguese colonized the area in the sixteenth century, and it slumbered in peaceful seclusion for 400 years until the mid-1970s, when the newly democratic government of Portugal shrugged off its colonies. The western half of the island had been transferred by the Dutch to independent Indonesia in 1949, and in 1975 the Portuguese withdrew from the eastern half. The Indonesians overran the region, forcibly annexing it the following year.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The Timorese now speak nostalgically of the era of Portuguese rule. An old man in the coastal town of Liquica talked passionately about the "traditional values" the Timorese had adopted from the Portuguese, by which he meant hard work and self-discipline. The Indonesians, he said, were modern, flashy, and vulgar. Portugal may have been one of Europe's least-enlightened colonial nations, but the Indonesians, who themselves had groaned under the burden of Dutch dominion, were worse and kept the Timorese in a state of virtual peonage. The poverty rate there was twice that of Indonesia proper, while the rate of maternal mortality was among the highest in the world. The Indonesians took all the good jobs for themselves. Elementary-school teachers were Timorese, for example, but high-school teachers were Indonesian. Police clerks were Timorese, but the officers were Indonesian. East Timor was permitted neither a professional class nor a political one. An independence movement was brutally suppressed between 1975 and 1983, and the region was effectively sealed off from the outside world until 1989. During this period about 200,000 people died from violence, hunger, and disease—out of a population of fewer than a million.

The Timorese now speak nostalgically of Portuguese rule.

But the East Timorese independence movement was never fully extinguished. In 1996, the Nobel Peace Prize went to Carlos Ximenes Belo, the bishop of Dili, and José Ramos-Horta, who had spent years advocating the cause of East Timorese freedom in the world's capitals. But Ramos-Horta might have gone on advocating in vain for many more years had Indonesian President Suharto not been forced from office in 1998. Suharto and his military had dealt ruthlessly with independence movements throughout the archipelago. The new president, B. J. Habibie, was far more preoccupied with shoring up his own fragile support. In January 1999, Habibie agreed to let the Timorese hold a referendum on autonomy. He was apparently unaware of the depth of anti-Indonesian feeling in East Timor or of the violence that the prospect of independence would provoke on the part of the militias—made up of anti-independence locals, although armed, funded, and controlled by Jakarta—and his own military.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A new campaign of terror began in April 1999. At dawn on April 4, a militia group, joined by police and Indonesian soldiers in civilian clothes, drove much of the population of Liquica into the city's main church. Two days later they stormed the church compound and began firing. Their objective was apparently to exterminate the local political leadership. Father Raphael dos Santos, the local priest and a well-known critic of Indonesian human rights violations, said that he and other political figures took refuge in the rectory at the back of the church compound. "The militias broke into the house and began hacking at people with their machetes," he recalled. "Then the police threw tear gas into the house, and those of us who were still inside had to leave."

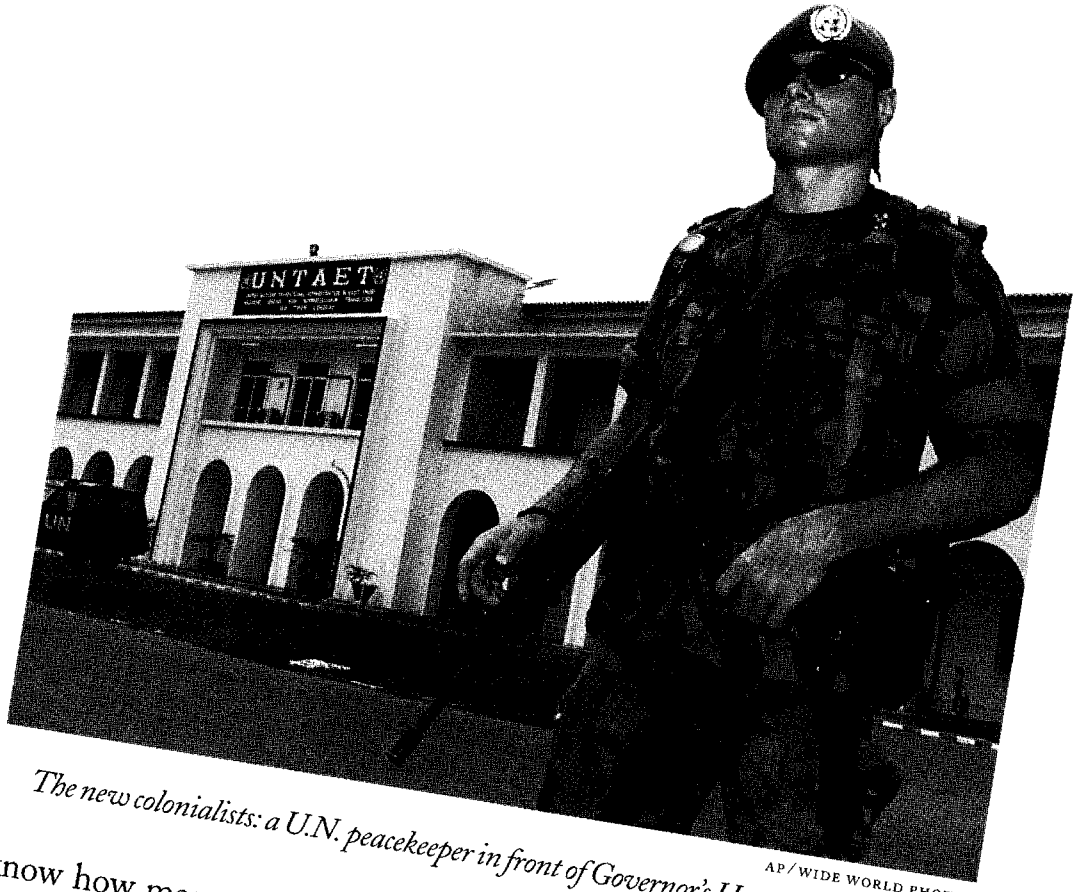
In two and a half weeks, almost every shred of personal wealth in East Timor was destroyed.

Father Raphael himself was saved when he ran into a military officer who knew him. For the next several hours he listened to gunshots and screams from the safety of the police station. When he was finally allowed to leave, he returned to his home to find the walls and hallways bathed in blood. The bodies had been taken away. Father Raphael knows of 20 citizens of Liquica who were killed, but he estimates that many more from outside of town were also murdered.

Although no country save Australia had ever recognized the legitimacy of Indonesia's annexation of East Timor, the U.N. Security Council had always treated it as an internal Indonesian problem. U.N. officials understood the consequences of the referendum much more clearly than Habibie apparently did, and in the spring of 1999, U.N. Secretary-General Kofi Annan asked Jakarta to disarm the militias and permit foreign troops to supervise the voting process. When the Indonesians refused, the U.N. acquiesced and sent in 300 unarmed police officers instead. Violence grew over the summer, and the U.N. was forced to postpone the vote twice.

On August 30, an astounding 98 percent of registered voters went to the polls. When almost 80 percent voted against a continued relationship with Indonesia, the militias struck in full force. Moving from town to town and village to village, they looted and burned virtually every house. Until mass graves are investigated, no one will

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



The new colonialists: a U.N. peacekeeper in front of Governor's House, March 2000

AP/WIDE WORLD PHOTOS

know how many people they murdered as well. Virtually the entire remaining population fled into the hills or across the border to West Timor. Villagers outside the mountain town of Aileu said that all but four of the dwellings in their village had been destroyed. A young woman in Liquica said that when she returned after three weeks living in a cave, her entire neighborhood had been incinerated. And four former bank tellers who work with the U.N. in Dili said that their homes had been looted of every article and then burned down. In two and a half weeks, almost every shred of personal wealth in East Timor was stolen or destroyed—cattle, chickens, motorbikes, phones, furniture, and books. "And the principal weapon was gasoline," notes Brynjar Nymo, spokesperson for the U.N. peacekeeping force. "That's pretty impressive."

East Timor provided fresh evidence of the limit of U.N. peacekeeping: the Security Council cannot or will not forcefully intervene

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

And their subjects: East Timorese refugees, September 1999

AP/WIDE WORLD PHOTOS

until catastrophe strikes, even when it has good reason to anticipate such catastrophe. What was true in Rwanda in 1994 remained true in the summer of 1999. But in East Timor the violence produced a different response. Both the Portuguese and the Australians demanded Security Council action, and the Australians offered to lead a multinational force—a "coalition of the willing," in the new U.N. phrase. The Security Council authorized a fact-finding mission to rebut Indonesian lies about the violence. President Clinton, after temporizing for several days, threatened to veto new loans to Indonesia from the World Bank and the International Monetary Fund. On September 13, Habibie told Annan that he would accept the Australian-led force. On September 15, the Security Council authorized the force, and the soldiers put ashore five days later. This was not only perhaps the swiftest response in the history of U.N. peacekeeping, but it was the first time in the post-Rwanda, post-Srebrenica era that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Security Council met an emergency head-on. Richard Holbrooke, the U.S. Permanent Representative to the U.N., described the operation as the textbook realization of Churchill and Roosevelt's dream when they laid out the principles of the U.N. "It only took twenty years, a staggering number of wasted lives, and pillaging and rampaging by the Indonesian military," Holbroke grimly added.

By the time the Australian soldiers arrived, the militias had destroyed or stolen practically everything that was worth destroying or stealing. After a brief show of resistance, they melted away across the border into West Timor. East Timor became a genuine U.N. peacekeeping operation in February 2000, when blue-helmeted troops replaced the Australians.

There are now 8,500 well-armed U.N. soldiers in East Timor, with very little to do. Several weeks after the soldiers arrived, General Jaime de los Santos, the Filipino head of the peacekeeping force, seemed to have an alarming amount of time on his hands, and the atmosphere in his office was downright torpid. The general explained that his soldiers spend much of their time building bridges, fixing roads, and reassuring the Timorese that all is well. The militias have remained behind the border, harassing refugees but otherwise posing very little threat. At some point they are likely to test the resolve of the U.N., but they are not the danger they used to be. The militias appear to have lost the support of the Indonesian military now that Abdurrahman Wahid, a long-time supporter of Timorese independence, has replaced Habibie as president.

BURNOUT

THE MILITIAS wrecked East Timor in a very distinctive way. The country was burned, not bombed. From the street, whether in Dili or the smaller provincial towns, concrete slabs of foundations are still visible, as are the side and often the front and back walls of buildings—but no windows, doors, or roofs. The houses are hollow, scorched clean of paint, wiring, or fixtures of any kind. In some neighborhoods, the dwellings are intact; in others, every house has been gutted. The militias were especially thorough in destroying worthwhile institutions. At a walled compound in Aileu where a cluster of school buildings used

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to stand, almost nothing was left but the sign indicating what had once been there. Outside the center of town, with its market and its throngs of people, reigns a ghostly quiet.

And yet East Timor is not Rwanda. The militias killed hundreds of people, perhaps even thousands, but not hundreds of thousands. Most Timorese are now back where they were in August, albeit living under plastic sheeting or in tents. Although a crop cycle was skipped when the entire population fled, the two main staples, rice and corn, are quickly returning to pre-violence levels of availability. Nor is East Timor like Kosovo, with its poisonous spirit of vindictiveness and hate. When Luis Soares, a wiry farmer in a red T-shirt who was using a hoe to clear a mountain road, was asked whether he felt that young men who had served in the militias should be accepted back, he said that he did. What if the person who looted and burned his own house came back? Soares smiled and said, "My own nephew was one of the militias. I saw his sister in the market yesterday, and I told her that I accepted her. So I would accept him, too."

In Aileu, further up the road, Domingos Costa Mota—the head of "civil security" for the National Council for East Timorese Resistance (CNRT), the political body that had sponsored the independence struggle—was processing a truckload of returnees from West Timor. He separated out young men whom he suspected of involvement with the militias—about a quarter of the total. "The village chiefs come and tell us whether they have engaged in violence," he said. "Most of them go back. The worst ones we give to the Civ. Pol."—the U.N. police—"and they are brought to Dili."

Costa Mota said that he, too, did not see the point of vendettas. That is the CNRT party line, and only a few ex-militia members have been lynched. (More have been beaten.) The Timorese actually seem to be less angry than they have a right to be—making them very unusual victims. This magnanimity may also explain why donors have so far had a better record of delivering on their pledges than in Kosovo. Change does not seem impossible.

The Timorese who hid in caves and forests returned to their homes once the militias fled. And only half of the approximately 200,000 who crossed the border remain in West Timor. It is estimated that about 25,000 of the remainder will never return; they are Indonesians

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

or Timorese who do not want to face the consequences of their actions. Other Timorese have been intimidated into not returning by the stories circulated by militias of rape and pillage by the Australian and U.N. peacekeepers. But these rumors cannot last forever, and there has been a steady flow of Timorese coming back across the border.

THE A-TEAM

THE U.N. IS FULLY AWARE of East Timor's importance as a test case and has sent out a kind of A-team of international technocrats. Most of the top people in UNTAET speak four or five languages, have extensive experience in Bosnia, Kosovo, Cambodia, and elsewhere, and seem appropriately daunted and bemused by the magnitude of the burden they have been handed. Hans Strohmeyer, a German legal scholar, is the counsel to the transitional administrator. His job is both to invent a Timorese legal system and to help devise a body of laws for this embryonic country. It is an extremely peculiar and urgent situation: UNTAET could not pay its Timorese employees, for example, until it had devised a banking law and settled on a currency. It could not punish lawbreakers without a body of criminal law. The alternative would be to rule by decree, but this would violate the spirit of its mission and undermine the U.N.'s larger goal of fostering democratic values. And so the first statute the transitional administration passed was one that delineated its own authority and stipulated that Indonesian law would remain in force unless it conflicted with U.N. human rights standards or with the UNTAET mandate. The second new law set up a "National Consultative Council" to give the Timorese a say in the legislative process (although the transitional administrator remains free to ignore its advice). Other laws established a judicial system, a fiscal authority, a tax regime, a civil service, and a currency (U.S. dollars).

It is tempting to view East Timor as an intriguing exercise in applied political philosophy. In fact, however, it is an exercise in adapting ideals to painful realities. "Between the picture that we want to project of ourselves as these U.N. people who possess the highest standards," Strohmeyer said, "and what we're actually required to do, there's a huge gap, and we have to come to terms with that." He pointed out that it would be noble but ludicrous for Timorese law to enshrine the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

principle of the universal right to counsel, or of a defendant's right to a hearing in 48 hours. The roads in the country are so bad and transportation so limited—there are hardly any Timorese-owned vehicles of any kind outside Dili—that it will be years before defendants can expect to see a courtroom within two days of being charged.

It was Strohmeyer who talked about the "empty shell." He had served in Kosovo with Vieira de Mello and described the difference between the two missions by saying, "In Kosovo, we had judges, lawyers, prosecutors; the trouble was finding one who didn't have a Yugoslav past or a Serbian collaborator past. Here you don't have a single lawyer." Strohmeyer tracked down all 70 law-school graduates in East Timor; not a single one of them had been able to practice law under the Indonesian dominion. (There are, thanks to a 25-year diaspora, Timorese lawyers in Portugal and Australia, as there are Timorese doctors and academics. But it will be a long time before many of them will be tempted to leave their paneled offices for life in Dili or the provinces.) It did not help matters any that the militias had burned or stolen every single law book in East Timor; Strohmeyer had to travel to Jakarta to beg legal texts from law firms there. The Dili courthouse had been utterly trashed, but not burned, and the U.N. spent a small fortune installing wiring, plumbing, and floor tiles. And then Strohmeyer tried to get a justice system going. He appointed some of the law-school graduates he had tracked down as judges, some as defense lawyers, and others as prosecutors, and told them to get to work. But the wheels of justice are grinding slowly. By February, the new legal staff had been on the job for about a month, and they had worked their way through 4 of a backlog of 350 cases. The courthouse was a blinding stretch of fresh white tile, untrod by human foot—only one courtroom was in use. Strohmeyer had originally planned to bring in non-Timorese judges to advise the local ones, but he now thinks that the foreigners might, in fact, have to do some of the actual judging.

The new bureaucrats of the East Timor Authority, as the state administration is called, work out of an auditorium located right behind the Governor's House. They sit on a raised gallery around the rim of the building, and one can see the names of the nascent ministries taped to the back of computers: Civil Service, Water Supply, Agriculture, Judicial Affairs, and so on. Their job, like Strohmeyer's, is to supply the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Timorese with what they don't have, but also to train them to take over the work themselves—to distribute drugs, but also to create a network of pharmacists and pharmacies (of which East Timor currently has zero).

Andrew Whitley, the head of the civil service, is a scholarly Briton who practiced journalism with the BBC and the *Financial Times* before joining the U.N. Whitley has established a Public Service Commission, with five Timorese members and two foreigners, whose job will be to set standards and pay scales and then to recruit and train future bureaucrats. Whitley is looking at the examples of Mozambique and Eritrea, where the U.N. also more or less invented a civil service. But his biggest problem is finding warm bodies. So few Timorese have the minimal credentials necessary for middle- and upper-level jobs that Whitley has decided to advertise in Indonesia and to accept applications from anyone who has not been "formally accused of a major crime"—like burning a neighbor's house down.

At such times this whole massive project of uplift seems faintly utopian. The U.N. has everything, East Timor has nothing, and what East Timor needs the most the U.N. may not be able to give. And the new country's needs are more than material. Fabrizio Hochschild, de Mello's chief aide and another Kosovo alumnus, says, "In Peć [Kosovo], people started rebuilding two weeks after the bombing finished. They would take some timber off a destroyed house to put a beam in their roof, or they'd get material in Montenegro. They would reach under their pillow for savings. Here people don't have a savings base, and they're incredibly far from everywhere. You're just getting shops coming up now after five months. In Kosovo, it was a few weeks." The Dili marketplace had, in fact, reconstituted itself by late February, but it consisted of blankets spread out on the sidewalk in front of the old marketplace. Most of the cars in Dili were U.N. Land Rovers. A favorite restaurant, the Dili Café—a kind of lean-to made with sheets of corrugated metal—was owned by Rui Goncalves, a Timorese who had fled to Australia after repeated jailings by the Indonesians. He had returned after the violence, bringing with him a mobile espresso truck. All the customers were, of course, foreigners. Dili appeared to be a wholly owned subsidiary of the international development community.

In some ways, in fact, the new colonialism looks and feels powerfully like the old. The most logical target of resentment in East Timor

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

these days is not the militias, which are gone, but UNTAET, which is omnipresent and well-nigh omnipotent. Practically the only people in East Timor with jobs are the ones who work for the U.N. or the international nonprofits, and if you do not speak Portuguese, that option is essentially closed. The streets of Dili are lined with young men who have nothing to do. U.N. officials drive around in big, late-model Land Rovers while the Timorese walk along the cracked sidewalks or the decaying wharf. It is a combustible situation, and sparks are starting to fly. In February, a brawl broke out on the docks when a group of Timorese demanded payment from U.N. officials unloading cargo. (Since there are no available jell cells, there is not much to deter someone who wants to take a swing at an unarmed U.N. police officer.) A fight between Timorese youth at Phil's Grill, a restaurant near the airport, ended with one of the combatants brandishing a machete over a British humanitarian worker. And the situation is almost certain to get worse.

What East Timor needs most the U.N. may not be able to give.

It is not clear whether the local political elite will continue to accept its nonage. "You can tell that they feel subjected to our collective brain power," Strohmeyer says. The Timorese think of the problem in slightly different terms. Ramos-Horta, the Nobel Prize winner, complains bitterly about the incompetence of the U.N. police. "Our people are supposed to be assisting some policemen from Gambia," he said. (Gambia was obviously his idea of a genuinely underdeveloped country.) "We have some very senior people. The idea that they should be assisting the Civ. Pol. is like asking me to be an assistant to one of these junior UNTAET people; it is stupid and insulting." Asked if he could think of anything good that UNTAET had done, Ramos-Horta pondered for a very short moment and said, "In terms of anything visible so far? Nothing."

UNTAET has, in fact, been slow in providing jobs and housing, and the combination of bureaucratic sluggishness and growing frustration may yet prove the mission's undoing. And yet this is one case where the U.N. has the right to expect patience. UNTAET has been operating in East Timor for only a few months, and the actual process of local recruitment and training is only beginning. It will

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

take several years to produce enough local police officers, judges, and bureaucrats to take over from UNTAET.

And it will take longer still for East Timor to become a stable country. East Timor is a tiny dot of an island, and yet the U.N. will have to spend lavishly, in both time and money, to ensure a successful transition there. International donors have already pledged $552 million, and more will be needed. If the international community wants to entrust such ambitious tasks to the U.N., it will have to get used to paying for them.

THE NEW COLONIALISM

EAST TIMOR is technically a peacekeeping operation. De Mello reports to Undersecretary-General Bernard Miyet, the head of U.N. peacekeeping. Indeed, one reason for UNTAET's bureaucratic problems is that the peacekeeping division has neither the staff nor the experience to manage so massive and complex an operation, either there or in Kosovo. U.N. peacekeeping has changed drastically over the last generation, and the organs of peacekeeping created in the era of Dag Hammarskjold, the U.N.'s second secretary-general and an early advocate of such missions, have scarcely caught up.

Traditional U.N. peacekeeping operations, whether in Cyprus or the Golan Heights, involved standing between two sets of belligerents exhausted enough to accept outside intervention. The U.N. remained scrupulously neutral and respectful of the sovereignty of the contending nations. Such missions worked as long as the two sides wanted an excuse not to fight. They failed, as in southern Lebanon or Kashmir, when that was not the case.

Today countries do not fight wars with each other nearly as often as they did when the U.N. was founded—something for which the U.N. takes credit, although without much evidence. Conflict has not diminished, however—it has merely changed shape. The face of modern warfare is a machete-wielding Rwandan mob or a band of Serbian irregulars. War today is often a symptom of a failed state, which lacks the power to adjudicate among, or deliver goodies to, various factions. Peacekeeping is a necessary but not a sufficient answer to the problem of the failed state; the peacekeeping mission is meant to be the thin edge of the wedge of large-scale political change.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Compared to traditional peacekeeping, nation-building is a much more complicated and gradual process. It cannot work at all absent a political culture that is open to, even eager for, the kind of transformation the U.N. brings. Witness the failure of the U.N. mission to Cambodia, where the Vietnamese-backed Hun Sen has undermined open elections. Political values cannot simply be transfused or imposed, as the mission in Kosovo, among many others, demonstrates. There is a very real danger that the U.N. will define missions for itself—or, more likely, be handed responsibilities—where its failure is almost foreordained.

In some ways, however, East Timor is almost ideally suited to the new generation of peacekeeping missions. There is no dictator determined to cling to power, and the country has a political culture that survived a quarter-century of Indonesian dominion. Indeed, the one functioning institution in East Timor is the CNRT, which has representatives in every town and village and whose authority appears to be unquestioned. Its military wing, known as the Falantil, is also highly respected—the question of its demobilization is so thorny that the U.N. hasn't even approached it yet. The former chief of the Falantil, Xanana Gusmao, spent much of the last quarter-century either in the jungle or in prison and is now the undisputed leader of the CNRT. Gusmao is a charismatic and thoroughly charming character: a poet, trim, bearded, and wry. If there is a megalomaniacal Fidel Castro or an autocratic Hun Sen lurking inside him, it has yet to surface. Gusmao has consistently preached a doctrine of reconciliation and is widely credited with the relatively low levels of vindictiveness that reign within the CNRT. He now functions as an unofficial co-president with the U.N.'s de Mello, and is almost certain to become the new country's first official leader. Here the contrast with Kosovo works wholly in East Timor's favor: the country is peaceful and unified, and although that will change as the afterglow of the independence struggle wears off, there is no inherent impediment to a democratic future.

Also unlike Kosovo, East Timor's future status is unambiguous. The U.N. resolution governing Kosovo respects the former Yugoslavia's claims of sovereignty over the region, and thus every nation-building initiative there raises an unanswerable question about the exact

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

status of the nation being built. But East Timor will be a country as soon as the transitional administration is finished, and UNTAET and the CNRT have agreed on a road map to independence. The process will begin with a mass convocation of Timorese in late 2000 or early 2001 to debate constitutional principles. This will be followed by a meeting with international legal experts to draw up a draft constitution and by the election of a constituent assembly. Then, in what is expected to be late 2001 or early 2002, the assembly will sign the constitution, the country will declare its independence, and UNTAET will get a new name and mandate.

HARD CASE

EAST TIMOR is clearly some kind of a test case, then. But a test of what? Holbrooke includes the country in his list of peacekeeping operations where the U.N. must succeed if it is not to be consigned to irrelevance. But the peace being kept in East Timor is too unproblematic to serve as a useful test of peacekeeping per se. Sierra Leone, where the U.N. is trying to pacify a land that has been tortured by a monstrous rebel force for a decade, is a much better test of the limits and the possibilities of peacekeeping in a world of bandits and warlords. The Democratic Republic of the Congo will do just as well, if and when the peacekeeping force recently authorized by the Security Council is actually deployed. These are the hard cases of peacekeeping; East Timor is an easy one.

East Timor actually poses a different question: Where peace or at least relative calm has been achieved, can the U.N. foster political stability, economic development, and reliable and responsive democratic institutions? Nation-building is an ambitious project, quite different in magnitude from other, more traditional U.N. tasks such as encouraging "sustainable development" at the village level, curbing population growth, or reducing the incidence of infectious disease. The U.N. has been in the nation-building business only since the late 1980s, when it established a transitional administration in Namibia. Since then, the U.N. has functioned as a government in absentia only a few times. But in a growing number of countries the U.N. and the nongovernmental organizations it

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

works with are now training or rebuilding the army, the police force, the civil service, and the judiciary.

These efforts raise a question that goes beyond the U.N.'s technocratic competence, or the patience and pockets of donor countries, or even the organic nature of political development. Nation-building involves the U.N.'s telling countries how to govern themselves—and many of those countries are a good deal more self-sufficient than East Timor. This project stands at the shifting frontier between the universalism that the U.N. embodies and the sovereignty of its individual members. It is not at all clear that when push comes to shove and these two imperatives clash, the newer and more intrusive doctrine will win out.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

How Does Saddam Hold On?

Ofra Bengio

HAPPY BIRTHDAY, MR. PRESIDENT

T. S. Eliot called April the cruelest month. It is also, fittingly, the month most cherished by Saddam Hussein—the month in which he was born and in which his ruling Baath Party was founded. To celebrate Saddam's April 28 birthday one year, 15 million Iraqis reportedly lit candles to demonstrate their joy; in other years, fireworks, parties, processions (with the ruler sometimes borne in a royal carriage), and exhibitions of photographs of a beaming Saddam have marked the occasion. Saddam's birthday is also a pretext for inaugurating grandiose projects, the latest of which was a new, eponymous city northwest of Baghdad, Saddamiyyat al-Tharthar. Occasionally the "birthday cult" takes an even more grotesque form, with parchment pledges of allegiance to Saddam written in the blood of the senders. Through such rituals, Iraq's absolute ruler seeks to bind himself and his subjects together for life and death.

This year Saddam's birthday—his 63rd—arrived amid persistent rumors that his days were numbered. Thus far, all such predictions have proved wishful thinking. For 20 years, ever since the start of the Iran-Iraq War in 1980, Saddam's fall has been called "imminent." In the waning hours of the Gulf War, the coalition agreed to end its hostilities after a 100-hour ground war in large part because U.S. analysts figured that Saddam was doomed. Since then, Western

---

Ofra Bengio is Senior Research Fellow at the Moshe Dayan Center for Middle Eastern and African Studies at Tel Aviv University and author of *Saddam's Word.*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

leaders have watched in a mixture of confusion and consternation as his grip on power has held firm.

Saddam's longevity has deeply frustrated those searching for a viable post–Desert Storm Iraq policy. Rollback—using the Iraqi opposition to depose Saddam and replace him with a friendlier regime—remains wildly unlikely, since the Iraqi opposition is weak and the United States is unwilling to provide the massive support that Saddam's foes would need. The main alternatives to rollback are various forms of containment to box Saddam in: either arms inspections without economic sanctions, sanctions without inspections, or a wearying attempt to keep both sanctions on and the inspectors in. But all these variations are really only designed to keep a lid on the situation until Saddam somehow disappears. They inevitably raise the question of why he has not yet fallen, after decades of war, crisis, and ruin. How has Saddam managed to hold on for so long?

The answer is not soothing. Saddam has kept his grip on power because of his ruthless personality, his foes' blunders, and his lethally effective mastery of the pillars of authority in Iraq: the Baath Party, the security establishment, the military, and his own family cliques. Among his most likely successors at this point—whether through inheritance or coup—are his two sons, Uday and Qusay, whom he has been grooming for power. (As in Syria, another Baathist republican has turned royalist.) But such a change would do the West little good, since Saddam's offspring are apt to be as thuggish and dangerous as their father. The West's shrewdest course of action, therefore, is to wait Saddam out while doing what it can to nudge Iraq's battered elites into replacing their overlord with some more responsible and less brutal autocrat. Washington should not expect an Iraqi deus ex machina any time soon.

THE ENIGMA OF SURVIVAL

SADDAM'S SURVIVAL can best be explained by a series of paradoxes inherent in his personality and world-view. Through his huge propaganda machine, Saddam presents himself as a brilliant strategist, the best Iraqis and Arabs have had in centuries. But his strategies have actually led to disaster. In his 21-year rule, he has managed to embroil

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

his country in two massive wars and drag it to the brink of military, political, social, and economic catastrophe. But if Saddam is a pathetic strategist, he is also a brilliant tactician, a talent that has allowed him to escape from mistakes again and again. Saddam's strategies are based on gossamer self-delusion; his tactics are built on brutal Machiavellianism. Whenever his grand design gets him into trouble, his domestic maneuvering gets him out.

Much has been made of the fact that Saddam has rarely left his country's borders, leaving him narrow-minded, consumed by conspiracy theories, and incapable of understanding the outside world. Some argue that Saddam does not understand democracies in general and U.S. decision-making in particular—leading him, for instance, to underestimate President Bush's seriousness about going to war over Kuwait. This parochialism surely exists, but it is more than compensated for by an intimate knowledge of his own state and society. The home front, after all, is Saddam's main battleground, a fact that has too often eluded his foreign adversaries.

Outsiders often call adventurism Saddam's signature trait, pointing to his invasion of Iran, a country three times Iraq's size, or his challenge to the huge U.S.-led coalition arrayed against him during the Gulf War. But despite his reputation for recklessness, Saddam actually thinks his moves through long in advance. The decisions to attack Iran and invade Kuwait were by no means haphazard; both were carefully planned well before the actual deed. Something similar is true for Saddam's closely related character traits, such as his penchant for risk-taking or improvisation. These exist, to be sure, but only in conjunction with their opposites: patience, perseverance, and cold-bloodedness. As the acknowledged strongman behind President Ahmad Hasan al-Bakr before 1979, for example, Saddam waited fully 11 years to give his boss the coup de grâce. Indeed, he has tried to inculcate patience (*sabr* in Arabic, an oft-praised Islamic value) in the Iraqi people and manipulate it for his political purposes—especially to encourage his much-abused populace to withstand the post-1990 sanctions and the other calamities that he has brought upon the country.

Saddam is also notorious for his blunders and miscalculations. But although he is indeed incapable of correcting his own mistakes and prone to exacerbating them, he is simultaneously a master at capitalizing

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

on his enemies' missteps. In the end, Saddam is something of a house divided against himself—but unfortunately one that seems fit to last. Western policymakers need to be wary of dwelling too much on one set of Saddam's traits while neglecting their opposites; Saddam may not be wise enough to succeed, but he is wily enough to survive.

WITH ENEMIES LIKE THESE

SADDAM'S ASTONISHING ability to take advantage of his foes' mistakes goes a long way toward explaining his survival, even in dire crises. Consider the Ayatollah Khomeini's most serious error during the bloody Iran-Iraq War: making peace contingent on the fall of Saddam. Tehran's condition was vague and failed to specify who was to oust the Iraqi leader, to say nothing of when and how. Moreover, instead of punishing Saddam himself, it punished the Iraqi people (and for that matter, the Iranian people as well), who suffered through the prolongation of the eight-year war. The ayatollah's demand smacked of interference in another country's internal affairs but did nothing to influence the outcome. For Saddam, meanwhile, who is at his best when he faces the worst, Khomeini's condition provided another incentive to continue the war. The Iraqi leader waged a huge propaganda campaign that put the blame for further conflict and Iraqi suffering onto Iran and simultaneously launched a campaign of domestic repression to stifle any coup attempts. Saddam's patience paid off: after eight years of fighting, it was Khomeini who had to reverse his position, drink from what the Iranian leader called the "poisoned chalice," and shortly afterward pass from the scene.

President Bush and President Clinton both replayed Khomeini's mistake. By essentially conditioning the end of the embargo on Saddam's ouster, they once again played into his hands. Saddam has used this demand to divert responsibility for the misery of sanctions away from himself and onto the United States, which he blames for all of Iraq's mishaps. The prolongation of the embargo has thus strengthened Saddam rather than weakening him, not least because it has made Iraqis depend on him more than ever for their livelihood. What monies come into Iraq—through the U.N.'s "oil for food" program, for example—are controlled by Saddam and his loyalists,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

who distribute them at will. Similarly, the seemingly permanent "emergency" situation lets Saddam reinforce his repressive machine. To many Iraqis, the American failure to oust Saddam only helped "prove" a conspiracy theory: the American imperialists, determined to keep the Arabs down, were out to punish Iraq as a nation.

The Iranians and the Americans also both made the mistake of relying on the Iraqi opposition to destabilize Saddam's regime. If they did so because they truly believed that the opposition could get rid of Saddam, they grossly miscalculated. Saddam's bickering foes—a mélange of squabbling Iraqi Kurds, Shiite groups both secular and fundamentalist, communists, and hacks—are badly fragmented and deeply vulnerable to manipulation. But Tehran and Washington erred even if they backed the opposition merely as part of their ongoing psychological warfare against the regime in Baghdad. Iraqis could hardly have been expected to pin their hopes for salvation from Saddam on so fractious and feeble an opposition, and Saddam used its outside support to tarnish the opposition's image and brand it as treasonous, beholden to foreign masters bent on the destruction of the country. Neither the Iranians nor the Americans seem to have fathomed just how little organized domestic opposition was left after 32 years of ruthless Baathist rule.

THEN AGAIN, YOU SHOULD SEE HIS FRIENDS

ANOTHER KEY to Saddam's survival lies in the fact that Iraq is simultaneously a powerful state and a weak one, a situation that has created a lopsided competition between Saddam and his internal opponents. The country's bountiful oil reserves, ample water sources, and reasonably sized population are important national strengths that give Saddam strategic depth, breathing room, and a large margin for error. The huge oil profits of the 1970s, for example, were used later during the war with Iran to save the country and the regime from catastrophe.

Socially and politically, however, Iraq is very weak, even by Middle Eastern standards. Over time, Saddam has eviscerated the political system. Civil society simply does not exist, no parties except the omnipotent Baath are permitted to function, and even minimal freedom of expression is at this point a dim memory. Apart from

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

AP/WIDE WORLD PHOTOS

AP/WIDE WORLD PHOTOS

Baghdaddy: Saddam Hussein with his sons, Uday and Qusay

the Kurdish enclave in the north, the organized opposition has no significant bases in Iraq and lacks unity, credibility, support, and any positive sense of purpose.

Saddam's background in the security apparatus and in the propaganda business, coupled with his slow rise to the presidency, taught him how to thrive in such a weak sociopolitical system—how to cope with enemies, whether real or imagined, and develop various mechanisms of control. He understands the need to remain constantly alert, adapt quickly, preempt opponents, and above all expertly maneuver between different forces and factions. Saddam applies these rules to the Iraqi population at large, but also within the key institutions of power: the army, the Baath Party, the security apparatus and secret police, and even his own family. Saddam is only too aware of the fact that each of his bases of support is a double-edged sword that can slash his foes or be turned against him.

Saddam handles each power base differently. Long before he became president, Saddam managed to keep the military out of politics. He purged the strongest commanders, who could have proved menacing; "Baathized" the armed forces, seeding them with loyalists; busied the military with constant wars, first with Iraq's Kurds and then with Iran, Kuwait, and the Desert Storm coalition; and bought the military's goodwill by showering largesse on it and building a huge war machine. Saddam thereby ended the succession of military coups that had been so rampant before the Baath seized power in 1968.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

For the security apparatuses, which have become the trademark of his regime, Saddam had to devise other techniques of control. These included developing competing bodies to watch each other, installing family members at their heads, and launching the occasional purge. His ploys here have not worked quite as well as they did with the military, as the security services have recently failed him twice: in 1995, they did not alert him to the flight of his two sons-in-law and his daughters to Jordan, and in 1996, they did not prevent a serious assassination attempt on his eldest son, Uday, who was hit repeatedly when gunmen raked his car with submachine-gun fire. (That the attempted hit on Uday took place while Saddam's second son, Qusay, was supervising the security apparatuses did not augur well for Saddam, but the holes are no doubt filled by now; he has a way of making his displeasure felt.)

As for the Baath Party, Saddam has had to reconcile his personal preference for one-person rule with the existence of a collective leadership. In the first two weeks of his presidency in December 1979, he executed 21 high-ranking party members for objecting to his takeover. This initial bloodbath set the rules of the game for the years to come, during which the party lost its ability to make autonomous decisions or check the president's powers. At the same time, Saddam and the Baath have become interdependent. Saddam needed the party to handle the day-to-day business of the state, mobilize the masses, and provide support after setbacks, and the party came to regard Saddam as the main guarantor of its existence, especially during times of crisis.

SADDAM'S FAMILY VALUES

SADDAM HAS EXCELLED at alternating "the sword with the smile," as the Arabic saying goes. But with the military, the security services, and the Baath Party all co-opted, one other potential threat remains. Iraq has developed an intricate sort of family rule, largely orchestrated by Saddam himself. Initially, he sought to bring to power as many of his relatives as possible, for various reasons: to build a parallel support network in order to reduce his reliance on the Baath; to respond to demands from family members for political spoils; to prepare the ground for hereditary rule; and most important,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to put loyal supporters in sensitive posts. Members of Saddam's extended family were appointed to key positions throughout the security apparatus, including the agencies that guard the president himself. Thus in the last three decades, Iraq has come to be ruled by both the Baath and by members of four major clans related to Saddam, all from his hometown of Tikrit: the Bakr, Talfah, al-Majid, and Ibrahim.

While Saddam carried his family with him to power, he also subjected them to the regular rules and devices of Iraqi politics: checks and balances, rotations from post to post, dismissals, reshuffles (among different family branches), and even elimination. But although these techniques have worked well for Saddam in controlling the army and the Baath and have worked passably vis-à-vis the security services, they have come closest to failing in dealing with his kin.

When Saddam first came to power, he executed 21 leaders who objected to his takeover.

Saddam's family woes were put on display most dramatically in August 1995, when his two sons-in-law (who were also his cousins)—Hussein Kamil al-Majid, the head of Iraq's weapons programs, and Saddam Kamil al-Majid, the commander of the palace guard—defected to Jordan, along with Saddam Hussein's daughters Rana and Raghda. Hussein Kamil passed vital information on to the U.N. weapons inspectors and called for Saddam Hussein's ouster. The Iraqi ruler was caught completely unprepared but, true to form, recovered quickly. He assured his sons-in-law that all was forgiven, lured them to Baghdad in February 1996, made his daughters divorce them, and had other members of the Majid clan murder them. For good measure, the severely mutilated corpse of the defectors' mother was found last February in her Baghdad apartment.

The rest of Iraq's elite may lie prone before him, then, but Saddam must still cope with family intrigues. Indeed, over time, family relations have become more liability than asset. One complication had to do with the fact that the family consists of four major clans among which intermarriages were rampant, leading to constant rivalries and jealousies. Similarly, the family links could pressure Saddam to promote clan members to key posts. This he has done, but at the price of being

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

blamed for nepotism, of maneuvering constantly between the different branches of the family, and of occasionally losing control.

Interestingly, crises and reshuffles within the family have often taken place almost simultaneously with crises in the other parts of the apparatus of power—as happened in 1991, when the Kurdish and Shiite uprisings after the Gulf War set off alarm bells in Baghdad, compelling Saddam to reshuffle posts among his family members. In 1995, his sons-in-law defected against the background of unrest in the Anbar region and still more major personnel changes among the clans. This suggests that Saddam treats the family network like the other pillars of power. Nevertheless, even as Saddam's frustration with his wider family is rising, he seems to be preparing to turn over the family business—running Iraq—to his sons.

RAISING CAIN

FROM THE START, Saddam has ruled less like a president and more like a king or sultan. For a long time, he refrained from holding what the Iraqi media contemptuously called "referendums of the 99.99 percent"—the palpably rigged elections staged by other modernizing Arab presidents such as Syria's Hafiz al-Assad and Egypt's Hosni Mubarak. Rather, at moments of crisis, Saddam has opted for a more monarchical and "spontaneous" method of demonstrating Iraqis' support for his rule: the traditional vow of allegiance known in Arabic as the *bay'a*. In a way, Saddam was imitating Iraq's King Faisal I, who came to power in 1921 through an act of *bay'a*. Saddam's "royalist" penchant for building palaces and monuments, moreover, was far removed from the accepted image of an austere, socialist Baathist ruler. He also followed in the footsteps of Arab kings by sitting on a throne-like chair and introducing the slogan "God, the homeland, the leader"—substituting "leader" for "king."

One key reason for Saddam's fondness for monarchy is that it allows for hereditary succession. Early in his reign, Saddam began to introduce Uday, now 35, and Qusay, now 33, to the public and groom them for political life. Today they are among the most likely candidates to succeed Saddam, something that has important implications for Western policy.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Saddam made a point of appearing with Uday and Qusay in public on important occasions and ran glowing tributes to them in the state-run media to boost their profiles. No less important were the "political" marriages that he arranged for them—which, notably, lay outside the main bickering clans. To disengage himself from family pressures, Saddam had Qusay marry the daughter of an influential military commander, Mahir Abd al-Rashid, in 1987. The next year he had Uday marry the daughter of the loyal Izzat Ibrahim al-Duri, who is currently deputy commander of the armed forces, assistant Baath Party secretary-general, and Revolutionary Command Council (RCC) vice chair. According to Iraq's 1970 provisional constitution, if the RCC chair (predictably, Saddam) cannot fulfill the position's duties, the RCC's vice chair (Duri) steps in—which would leave Uday close to the new heart of power.

Saddam's son Uday beat one of his father's bodyguards to death with a cane.

Even at the apex of his power, in other words, Saddam was already preparing his sons for a political future—and perhaps even positioning Uday, heretofore a frivolous playboy, as the heir apparent. But Uday shows every sign of being a true chip off the old block and therefore wildly unmanageable. Latif Yahya al-Salihi, who had the unenviable job of being Uday's body double and later fled Iraq, told hair-raising stories about Uday's rape of a girl before his very eyes and other acts of sadism. Uday's ex-secretary claimed that he possesses 1,300 expensive cars, 160 of which were stolen from Kuwait. And Uday himself has recounted the way his paternal grandmother taught him courage when he was a young boy: having him handle scorpions and snakes.

In October 1988, Uday raised a host of problems after one particularly grisly excess: he beat one of his father's bodyguards, Kamil Hanna Jajo, to death with a cane during a party on a tourist island in the Tigris River. What was the best way to prevent the ugly episode from reflecting badly on the president? How could Saddam continue to promote his son (then only 24) while guarding himself against his boundless ambitions? In the end Saddam opted not to punish Uday as he has other straying relatives; he merely removed Uday from the limelight for a bit to avoid the embarrassment of having a murderer

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for a son. Despite his reputation as violent, greedy, womanizing, corrupt, flamboyant, and quarrelsome, Uday was quickly rehabilitated. By the mid-1990s, Saddam let Uday make inroads into Iraq's power centers. He became involved in the illegal economic transactions that fill his family's coffers; paraded his interest in military affairs by announcing in 1993 that he had received an M.A. (with honors) in military studies; joined the Baath Party political bureau; and "supervised" the Iraqi media, turning it into a vehicle for aggrandizing himself and his father and settling accounts with ministries, institutions, and family members. This year, he was elected to parliament. As Uday expands his influence over the political and economic echelons, he has done less to ingratiate himself with the four clans and his extended families. Uday loathes his relatives; he is believed to have supervised the raid in 1996 to kill his brothers-in-law, and in 1995, he shot his uncle Watban Ibrahim in the leg during a booze-soaked Baghdad party.

Saddam has held on to power longer than any other modern Iraqi ruler.

No one knows to what extent Uday's behavior was encouraged by his father or to what extent it spiraled totally out of Saddam's control. But recently Saddam appears to have been trying a little containment of his own—counterbalancing Uday with the younger Qusay. Saddam has never let too much power accumulate in the hands of any one person, his sons included. Uday's past excesses do not bode well for the future, Saddam now seems to figure, and the bloodless 1995 coup in which Qatar's crown prince, Hamad al-Thani, toppled his father could not have escaped Saddam's attention. Qusay, moreover, is apparently more discreet, controllable, and trustworthy than his brother. Accordingly, Saddam has given him key positions in the Special Security Apparatus and the Presidential Guard, both of which are crucial to the regime's stability. This division of labor between the two brothers has secured the separation of powers that Saddam wanted, with Uday spreading his influence over civilian and political affairs and Qusay over security and military ones.

By 1999, reports were emerging from Iraq of a power struggle between Uday and Qusay. Whatever the truth of such rumors, Saddam's dilemma over succession has clearly increased, not diminished, over

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

time. On the one hand, he sought to make his rule hereditary; on the other, he did not wish to give his enemies the slightest sign that he might relinquish power. So although Saddam might have been considering designating first Uday and then later Qusay as his heir, he could not risk saying so explicitly, because it would antagonize the Baath Party and spark a war of succession between the brothers (or between them and other branches of the family). Above all, Saddam had to protect himself against the ambitions of his own sons. As the Iraqi saying goes, "the most dangerous thief is the one from within the house."

WHEN PUTSCH COMES TO SHOVE

MOST WESTERN OBSERVERS argue that there can be no change for the better in Iraq until Saddam disappears from the scene. That may well be true, but it leaves the hard questions unanswered. How might Saddam fall? Can an outside power decide the fate of the Iraqi regime and its ruler? And would his successor be an improvement?

Any attempt to answer these questions must begin with the understanding that Saddam has turned survival into an art. He has held on to power longer than any other ruler of modern Iraq, outlasting kings and presidents alike. His own brutal personality, a carefully developed set of control mechanisms, the mistakes and double messages of his Western enemies, the weakness of the Iraqi opposition—all have helped Saddam hold on, and all are still at work.

Pitted against Saddam's single-minded determination to survive, the United States and its dwindling list of allies have proved amateurish and inconsistent. Periodic Western declarations that Saddam is about to be ousted contribute to the opposite outcome. Ordinary Iraqis have come to interpret the variations of the American policy of containment as ruses designed to leave Saddam in power while protecting America's oil interests, leaving the Iraqis to their own devices. Declarations that the United States approves of Iraqis who would like to be rid of Saddam but cannot stand behind them serve only to increase popular hatred of "American imperialism" while giving the Iraqi leader more room for maneuver.

The fate of Castro's Cuba, which has been under severe U.S.-led sanctions for 40 years, provides clues about the likelihood of success

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of American efforts to overthrow Saddam. In fact, Iraq may be an even tougher nut to crack. It is far from the United States; its society and politics are more complex and harder to understand; and many countries, including such erstwhile American partners as Russia, France, and even the Persian Gulf states, have vested interests there that limit American freedom of action.

The truth is that after a decade of containment, the United States and its allies still have no real vision for Iraq's future. Should either Uday or Qusay succeed their father, neither the West nor the Middle East would be better off. Even if one accepts as true only a small fraction of what is said about Saddam's sons, Uday appears a worse replica of his father and Qusay a pale one. Neither is immune to the megalomania that made Saddam dream of becoming a new Nebuchadnezzar. The only silver lining in such a scenario would be that Uday or Qusay might be easier prey for an ambitious Iraqi general and thus preside over a brief interregnum rather than a new era.

There is no way to get rid of Saddam on the cheap, and the sort of rhetorical posturing heard so often on Capitol Hill is just so much wind. If the United States wishes merely to contain Saddam, it should devise ways to ease the suffering of the Iraqi people. Their misery only strengthens Saddam while feeding anti-Western resentment. If the United States truly does wish to engineer Saddam's fall, then it will have to act with patience, determination, and vigor, avoiding foolish pronouncements while making Iraq a sustained foreign policy priority.

The wisest approach would be to combine containment with a concerted attempt to create the conditions necessary for a successful coup—a putsch from inside Iraq's government but outside Saddam's immediate family. Three moves might help. First, Washington should lower its public profile, speaking less about rollback yet maintaining its ability to deter any Iraqi military adventures against Iraq's Kurds, Shiites, or neighbors. Second, Washington should realize that containment need not be handled by the West alone and should rely more on Iraq's neighbors' healthy instincts to keep Saddam in his box. Finally, containment should be modified slightly, so as to maintain the vigilance of Iraq's nuclear, chemical, and biological weapons programs—preferably through an ongoing U.N. inspections regime with teeth,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

backed up by the constant and credible threat of force—while easing economic sanctions, especially along humanitarian lines. Together these moves may ease the state of emergency in Iraq, which itself has become Saddam's primary card. This, in turn, could provide crucial breathing space for Saddam's opponents within the regime, who have ample reason to act after accumulating a host of grievances during his years of misrule.

Saddam's successor would then most likely come from the Iraqi security establishment—hardly an inspiring prospect, but more realistic than an opposition uprising and less bleak than Uday or Qusay. It would be a major step forward for Iraq if the military leadership forged an alliance with enlightened members of the civilian establishment and exile communities. On the margins, the West can help Iraq's political and security elite wake from its long slumber. To be sure, any coup from within the Baathist regime would produce another nasty autocracy, but it would almost certainly be an improvement over Saddam's reign—either less brutal to Iraq's citizens, less menacing to Iraq's neighbors, or ideally both. Sooner or later, Saddam's domestic allies are likely to prove his deadliest enemies.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The French Exception

Sophie Meunier

JUST SAY NON

THE BIGGEST CELEBRITY in France last year was neither an entrepreneur, nor a sports figure, nor even an entertainment personality. It was the sheep farmer José Bové, whose claim to fame was his destruction of a French McDonald's last August. He followed that with a triumphant trip to the Seattle meeting of the World Trade Organization (WTO), bringing along 400 pounds of smuggled Roquefort cheese. Bové's protests against American-style globalization and U.S. trade retaliation against European products resonated strongly with the French public and politicians of all stripes. Indeed, in a nearly unanimous show of national support, France is now taking the international lead in the outcry against globalization.

Some might find it paradoxical that one of Europe's most successful economies would attack globalization so forcefully. France's unfolding conversion to market liberalism is partly a conscious effort by policymakers and partly an unintended byproduct of European integration. Despite France's *dirigiste* past, the recent wave of mergers, hostile takeovers, and shareholder capitalism has actually met general public acquiescence. Economic growth is strong, unemployment is finally going down, and the French "malaise" is now officially over. So one might expect that France would break free from the protectionist demands of traditional special-interest groups and fully embrace its globalized future. But the dominant political debate raging in France today is over how much control the nation should retain over its borders.

SOPHIE MEUNIER is Research Associate at the Center of International Studies and Lecturer at the Woodrow Wilson School of Public and International Affairs, Princeton University.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Intellectuals, interest groups, and even mainstream politicians have all joined the bandwagon denouncing the negative effects of globalization, homogenization, and Americanization for the sake of preserving the "French exception."

The reason for this disjuncture is that France feels that nothing short of its national identity is at stake. Rather than being framed as a question of free trade versus protectionism, the trade debate has been recast as "Anglo-Saxon globalization" versus the preservation of France's national and cultural values. As all of French society joins in the fight to preserve its uniqueness, this debate increasingly transcends traditional cleavages. The French movement is so strong that it is poised to take on an even greater role, affecting European integration and the international antiglobalization cause itself.

THE FRENCH CONNECTION

As in many other countries, the French reaction against globalization shows that the new issues touching on trade are more contentious and domestically sensitive than ever before. When trade was only about tariffs and quotas, its politics was easy to understand—it pitted importers against exporters and consumers against producers. The argument to restrict or expand trade was an economic argument about jobs and prices. Trade policy could be manipulated to protect special interests, and when governments decided to open up certain economic sectors to international competition, these special interests could be compensated. But with each round of multilateral trade negotiations under the General Agreement on Tariffs and Trade, traditional trade barriers were reduced and new types of nontariff barriers were tackled. During the Uruguay Round, the "new issues" of services and intellectual property were added to the traditional trade agenda. Today, trade matters extend to all kinds of domestic regulatory policies, including food safety, environmental regulations, and labor laws. The potential losers from free trade are no longer special-interest groups but global causes: the environment, democracy, and human rights.

These concerns account for a large part of the French resistance to globalization. Yet it is noteworthy that antiglobalization sentiment is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

much stronger in France than elsewhere, and that French politicians have felt compelled to take the international lead in the march against "Anglo-Saxon globalization." The distinctive attributes of French society can best explain this phenomenon, especially the 1990s shift in the arguments against free trade from the economic to the political and cultural realms. The fight against the liberalization of world trade is leading the country through a strange exercise of collective introspection about what it means to be French.

Ever since World War II, French foreign policy has tried to assert the country's special international role—usually in reaction to the United States. Under Charles de Gaulle, France tried to establish itself as the champion of a third way in international relations, often bridging the two superpower camps. Under François Mitterrand, France turned toward European integration, using the European Union's economic might to ensure that it retained a significant world role. But the world has changed. The new American hegemony—which French leaders call "hyperpower"—has overwhelmed the Gaullist-Mitterrand approach. This debate is giving France an opportunity to find a new world role as the leader of the opposition to globalization. In doing so, France has also proclaimed itself as an advocate for the developing world. French intellectuals, pundits, and politicians readily point to the increasing inequalities between the richest and the poorest countries as a byproduct of globalization and incessantly repeat that France has a sacred duty to combat these trends in the name of the most disadvantaged on the planet—even if (as Seattle demonstrated) the developing countries themselves strongly object to rich countries dictating their social and economic development.

One well-known peculiarity of French cultural identity is its anti-Americanism, stemming partly from its humiliating reliance on American help in the two world wars and the collapse of its empire. This feeling was rekindled in 1999 as the United States retaliated against French and European products after the WTO rulings on the famous banana and beef disputes. Thanks to Bové's deliberate attack against McDonald's and politicians' denunciation of "Anglo-Saxon imperialism," the United States has become the scapegoat for all social groups hurt by globalization.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE NEW FRENCH RESISTANCE

ABOVE ALL, globalization has been vilified because it threatens the very foundation of French greatness: France's unique culture. But the clash between French and American cultures was probably inevitable given the universalist vocation that both nations claim. This tension reemerged at the end of the Uruguay Round in 1993, when the United States and the European Union (EU) debated the issue of "cultural exception." At the time, the debate focused only on cultural goods such as movies, music, and television programming. But in recent years France's fear has grown that trade in general—not just trade in cultural goods—might threaten French culture. The WTO has been portrayed in France as a Trojan horse that forces on others the low-brow uniformity of the American lifestyle—fast food, bad clothing, and even worse sitcoms. In contrast, the French cultural model is portrayed as a "high" culture of philosophers, fine dining, and intellectual films. Indeed, one of Bové's public-relations victories was to fuse the issues of agriculture and culture. In an editorial titled "Vive le Roquefort libre!" the respectable newspaper *Le Monde* intoned that "resistance to the hegemonic pretenses of hamburgers is, above all, a cultural imperative." According to this reasoning, a Truffaut film is as much a defining component of French cultural identity as fois gras or Parisian cafés. Hence, France must protect all of its cultural treasures or none.

Focusing the cultural arguments on food has proven a particularly fruitful strategy for globalization's adversaries. Food is one of the most universally recognized components of French culture—and remains one of the greatest sources of domestic pride. As *Le Monde* noted, "McDonald's red and yellow ensign is the new version of America's star-spangled banner, whose commercial hegemony threatens agriculture and whose cultural hegemony insidiously ruins alimentary behavior—sacred reflections of French identity." By painting globalization as a direct attack on French food, its opponents received national approbation for a collective struggle against *la mal-bouffe*, or "lousy food." Bové and his followers threw into the same bag the issues of American trade imperialism, genetically modified food, and the fatty American nutritional model. Since nothing that French politicians say on behalf of French culinary traditions can backfire, they have now entered a free-for-all battle of wits

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

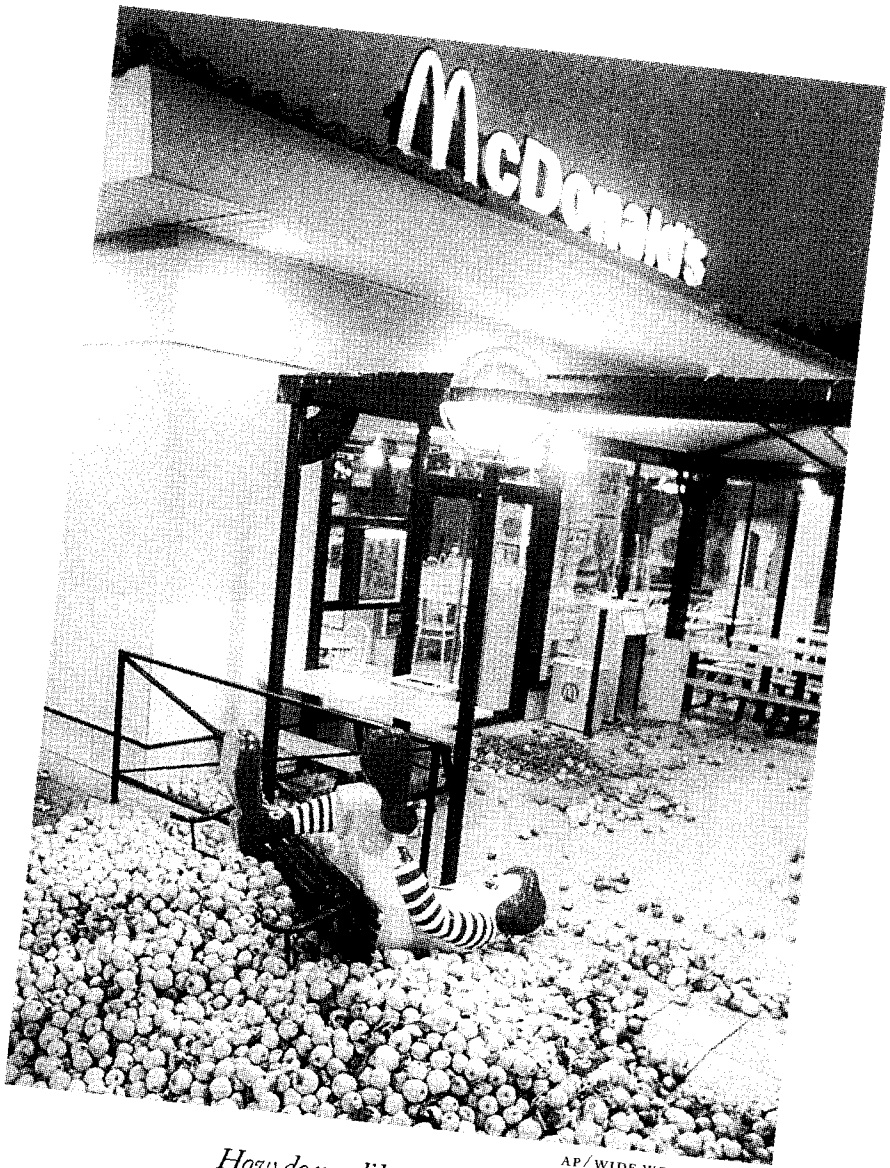
in which they try to outdo each other with catch phrases and solemn declarations on hamburgers. The winner in this category may be France's agriculture minister, who recently declared that the United States "has the worst food in the world" and publicly announced last August that he had never eaten at McDonald's and disliked hamburgers.

Critics also fear that globalization threatens the French language—another prominent and unifying component of French identity. In recent decades, France has tried to stop the decline of French usage in the world by promoting an aggressive policy known as "francophonie." Abroad, it meant teaching the French language, developing cultural exchange programs, and fostering Francophone cultural traditions. It also meant defending French in one of its traditional bastions: international diplomacy. At home, French language policy has sometimes gone so far as to ban certain foreign words while developing an alternative vocabulary in French. In March, for instance, the French government prohibited civil servants from using the words "e-mail" and "start-up." Instead, they must refer to "un message electronique" and "une jeune pousse"—results of months of brainstorming by specially appointed committees. This effort has also meant downplaying local dialects and regional languages. But France is losing this particular battle: spoken by 1.6 billion people on the planet, English dominates as the language of business and the Internet.

NO SURRENDER

MUCH OF French resistance to globalization stems from culture, but politics and economics also count. In fact, the recent debate really emerged in spring 1999 as a result of two WTO rulings against Europe. In one, the WTO concluded that EU preferences under the Lomé Convention for bananas from former African and Caribbean colonies were discriminatory; it let the United States impose retaliatory sanctions against certain European goods until the EU banana regime complied with world trade rules. In the other, the WTO ruled that the EU ban on U.S. hormone-treated beef was indeed protectionist as long as scientific evidence could not attest to any danger, so it allowed Washington to retaliate against European products such as Dijon mustard and Roquefort cheese until the ban was lifted.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



AP/WIDE WORLD PHOTOS

How do you like them apples?
A farmers' protest, Cavaillon, France, August 1999

Both rulings infuriated the French. Who were WTO judges to rule that Europeans could not help their former colonies, whose economies would otherwise be destroyed if opened to international market forces? Who were WTO judges to rule that the American cattle lobby could force potentially harmful hormone-treated beef down the throats of European children? The rulings were presented in France as clear evidence that globalization puts business interests above consumer safety, international political stability, and humanitarian concerns.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

But trade is only part of the story. For many French, national sovereignty is also at stake. As the anti-WTO backlash revealed, globalization is charged with producing a democratic deficit, a "rape of popular will" (in the words of *Le Monde Diplomatique*). The 1992 Maastricht referendum on the EU had already demonstrated the appeal of the sovereignty theme in French public opinion. More recently, the failure of the Multilateral Agreement on Investment in 1998 and the aborted 1999 WTO meeting in Seattle gave France further opportunities to reassert what it saw as its basic democratic and sovereign principles—and teach the world a lesson.

Along with its obsession with sovereignty, French political culture has always looked to a highly centralized state for governance. The French people rely on the state for entrepreneurship, political leadership, and economic support. Globalization threatens this bulwark of French politics because it weakens the state by giving more responsibilities to private actors. Indeed, globalization consecrates American individualism and the victory of American-style democracy over French-style republicanism and *dirigisme*. In reacting against globalization, the French are reacting to the surrender of their state traditions to a foreign system of political values.

CORDON SANITAIRE

FRANCE has also embraced the international crusade against globalization for domestic political reasons. The argument here began in the 1980s, when the far-right National Front's Jean-Marie Le Pen fretted about France's "borders." Le Pen won support by linking domestic economic insecurities to threats from abroad—arguing, for example, that the "invasion" of France by immigrants caused high unemployment and threatened French national identity. When the debate turned to European integration and later to globalization, the fear of immigrants easily translated into a fear of foreign goods, labor, and capital. Indeed, Le Pen himself switched his target from immigration to trade globalization in 1999 as he campaigned for the European Parliament.

Discourse on globalization has toughened since the end of the Cold War. In most democracies, capitalism's triumph led to a narrowing of ideological differences as politicians across the spectrum embraced

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the market. In France, this led first to consensus politics, the uneventful rule of *cohabitation,* and the adoption of what critics refer to as "la pensée unique"—a uniform way of thinking about economic issues. But now, instead of acknowledging the "end of ideology," French intellectuals and politicians are entering a period of fertile ideological renewal. As a result, the political opposition has had to crystallize around a new cause: the relation between France and its borders.

Indeed, since last summer resistance to globalization has drawn support from all parts of civil society: farmers, labor groups, environmentalists, journalists, academics, and filmmakers. Even soccer players and coaches have demonstrated against the WTO and globalization to protest the advent of capitalism in sports management. Given such breadth of popular sentiment, French politicians have been forced to follow. The extremist parties have seized on the antiglobalization cause as the logical continuation of their traditional combat against free trade. And the mainstream parties have been unable to withstand the extraordinary appeal of this movement in public opinion.

Globalization may spell the end of agricultural corporatism in France.

Prime Minister Lionel Jospin and President Jacques Chirac, who will likely run against each other in the 2002 presidential election, are both wooing the antiglobalization movement. Paradoxically, the socialist Jospin is pursuing the most ambitious program of privatization to date while preaching the necessity of regulating trade and railing against the excesses of the market. For his part, the Gaullist Chirac thunders about France's world role and the need for a head-to-head confrontation with the United States. This two-track attack, like Bové's antics, is widely acclaimed. In an October 1999 poll in *L'Expansion,* 60 percent of those surveyed said that globalization directly worsened social inequalities and threatened French identity—even though 50 percent also claimed that globalization was responsible for economic growth.

Globalization's most direct political consequence has been the implosion and recomposition of the right. For more than a decade, France had three conservative parties: the economically liberal Union pour la Démocratie Française (UDF), the Gaullist Rassemblement pour la République (RPR), and the xenophobic National Front. But as the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

left increasingly adopted many of the right's traditional policies (like economic liberalism), conservatives found themselves in disarray. The right's politicians began to defect from the big parties and founded a multitude of small parties, ad hoc electoral lists, and opportunistic alliances. The global challenge now presents the big parties with an opportunity to reform along clear lines: those who accept globalization and those who do not. As a result, centrists and the UDF have finally embraced European integration and global economic liberalization. Meanwhile, globalization's opponents defected to the new *"souverainiste"* party—the Rassemblement pour la France (RPF), created by Charles Pasqua in November 1999—with the goal of protecting France's sovereignty, values, and social cohesion. This leaves the Gaullist RPR in search of an identity and a mobilizing theme. As for the National Front, its strength might dwindle further as its less extremist voters flock to the RPF until only the hard core of xenophobic supporters is left.

Globalization could also spur an ideological renewal on the left. The Socialist Party has already embraced both European integration and globalization, albeit in a harnessed and controlled form. In October 1999, the socialist *deputés* recommended that the EU play a leading role in defending a "civilization model" that would respect economic, social, and cultural differences. Since then, Jospin has tried hard to distinguish himself from his European social-democrat counterparts, rejecting a Blairite "third way" of social liberalism in favor of a distinctly socialist approach to market economics. Other leftists have not been eager to embrace globalization at all. Jean-Pierre Chevènement's "Mouvement des Citoyens," for example, has developed a *souverainiste* message of the left that warns of losing national sovereignty, state centralism, and democratic accountability.

The Communist Party, meanwhile, has been ideologically galvanized. Denouncing market capitalism and American "totalitarianism" could give the Communists new adherents—or at least stop the hemorrhage of their current supporters. Other alternative parties, such as the Greens, could also profit from antimarket discontent, as could nongovernmental organizations, which have traditionally been weak in French politics. New activist organizations, such as the Observatoire de la mondialisation, the Coordination pour le contrôle citoyen de l'OMC, and Attac (which counted more than 23,000 members in May)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

have already proved themselves players to be reckoned with, as was demonstrated by the Seattle mobilization.

HOMEGROWN

ONE CRUCIAL IMPACT of globalization on French politics may well be the end of agricultural corporatism. Since World War II, French farmers have been united under the powerful Fédération Nationale des Syndicats d'Exploitants Agricoles (FNSEA), whose policy has long been to build up agricultural productivity and exports through the European Common Agricultural Policy (CAP) in the name of food self-sufficiency. The FNSEA has traditionally had direct ties to political leaders and a virtual monopoly on agricultural lobbying. The French got used to the FNSEA's protectionist ways. Whenever farmers disagreed with public policy, they took their violent protests to the streets until the government backed down. The public reluctantly went along, agreeing to pay astronomical subsidies to agriculture to preserve a rural way of life that the FNSEA pretended to defend. The FNSEA thus skillfully obtained government protection from external competition and made France the world's second-largest agricultural exporter, after the United States.

But the globalization debate is transforming the FNSEA's privileged political position. The French farmers who captured headlines in 1999 were not, for once, FNSEA supporters but members of the Confédération Paysanne (CP), a small organization with roots in the leftist movement of May 1968. The CP was created in 1987 to represent small farmers and challenge the FNSEA's industrialist agricultural policy. Bové and François Dufour, the CP's current leaders, insist on preserving the rural landscape and way of life in recognition of agriculture's "multifunctionality." The CP's actions during the summer of 1999 were therefore far different from the FNSEA's usual corporatist violence. Bové and his followers revolted against food tampering from a cultural and a public-health perspective, portraying their cause as concerning not just farmers but society as a whole. This approach has won the CP support across the political spectrum, from the Greens to the right-wing *souverainistes*. The CP's appeal will likely continue to grow as the public becomes more aware of the extent of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

French agriculture's "industrialization," which has been publicized in recent food scares, and tires of the FNSEA's blackmail. If the CP establishes a durable alliance with consumers and environmentalists, it may deal a fatal blow to the FNSEA's monopoly. Since the CP advocates an end to trade-distorting export subsidies—which only reinforce the industrialized nature of French agriculture—it stands to radically transform the French position on CAP and the prospects for an international agreement on agricultural subsidies.

L'EUROPE, C'EST MOI

FINALLY, France's globalization debate has spilled over its borders to affect its relationship with Europe. The initial phase of "Europeanization" was in fact just one regional variant of globalization; the Single Market program that began in the 1980s increased economic interdependence, foreign investment, and concerns over national sovereignty. Today's debate often echoes the 1992 Maastricht referendum campaign, something that helps explain the vigor of the French protests this time around.

But if the debate over globalization has recalled the debate over Europe, it has also displaced it. Some opponents of European integration in the early 1990s are now using the EU as a buffer to control globalization. This is hardly surprising, given that European integration offers France a large market, a shared system of values embodied in institutions, and a powerful voice in international relations. Recent polls in France show rising support for European integration. About two-thirds of those polled now favor further European integration, while 73 percent said that Europeanization can fight against the ill effects of globalization. The largest increases come from traditionally Euroskeptical groups, such as women and private-sector employees. Many French politicians have followed this trend; some of Brussels' most vocal opponents now praise the virtues of the EU as France's only realistic alternative to American-led globalization. With the exception of the extremist parties and to some extent the *souverainistes,* France now has a consensus on Europe.

French concerns over preserving sovereignty will likely shape the current EU Intergovernmental Conference, which plans to reform EU

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

institutions to absorb new members from central and eastern Europe. Here the debate revolves around how much sovereignty should be transferred to Brussels and how much should remain the prerogative of the member states. France will probably weigh heavily toward the intergovernmental design, which would allow it greater autonomy. But this may mean a tradeoff in terms of practicality, since the requirement of consensus and the existence of veto power for all EU member states may lead to stalled decision-making. At the same time, France will push to strengthen the EU vis-à-vis America, especially in matters of foreign and security policy.

EU trade policy will also be affected. The EU has already adopted some French rhetoric against globalization, as was made clear in Seattle, when it took up some of France's pet themes: the "multifunctionality" of agriculture, the establishment of a multilateral competition policy, and food safety guarantees. Even though the EU now champions open markets and multilateral trade rules, it is trying to develop a "harnessed" and "managed" alternative to globalization. Furthermore, France's influence over Brussels' trade policy could increase now that a Frenchman, Pascal Lamy, has replaced Leon Brittan (the "ultraliberal Thatcherian dinosaur," in the words of *Le Monde Diplomatique*) as EU trade commissioner. And as France prepares to take over the rotating EU presidency in the second half of 2000, Europe will likely take an even firmer stance against U.S. trade "unilateralism."

Finally, French activism is poised to exert influence beyond Europe's borders. The opponents to globalization were so successful in Seattle precisely because they formed a coalition of diverse interests, political affiliations, and countries. The French opposition to globalization could easily find adherents worldwide. Bové claims to have more in common with small, organic farmers in Washington State than with the agro-industrial giants of the French Beauce region (which earned him FNSEA accusations of being a U.S. double agent). French intellectuals and politicians feel that they can help spread this movement. When Jospin went to Japan last December, his anti-American, antiglobalization message fell on very receptive ears. At the end of his trip, Japanese and French officials agreed to work together to craft alternatives to U.S.-imposed "global standards."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Many countries have qualms about globalization. From Latin America to East Asia, voices are raised against widening inequalities, the lack of democratic accountability, and cultural homogenization. Seattle revealed that even in the United States, numerous groups oppose opening borders to trade and investment. But France has taken the international lead here because its political and cultural identity combines all the elements threatened by globalization: a universalist culture, a language with international aspirations, a "superior" cuisine, a sensitive view of national sovereignty, a strong, centralized state, a need for a world role, a sense of duty toward the poorer nations, and a deeply rooted anti-Americanism.

One central problem faced by French adversaries of globalization is that their constructiveness is questionable. Is France amplifying a strong but empty antiglobalization rhetoric to mask the reality—i.e., that the French economy has been embracing global integration all the while? Or can the opposition actively propose concrete alternatives that might appeal to other countries as well? So far, French agitation has helped put the issue on the table while also revealing France's internal contradictions. But some activists, like the CP, have in fact developed constructive proposals. If such groups gain ground, other countries may join the fight. France is already finding allies in Japan and Canada, two countries facing the same paradox as France: how to reap the benefits of globalization while dodging the detrimental cultural consequences of the American "steamroller." If French politicians can join with their European partners to work out a sensible alternative to American-style globalization and find powerful allies in other countries, the French backlash will echo well beyond France's borders.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Ending Africa's Wars

John Stremlau

COLD WAR, HOT WARS

FOLLOWING LAST YEAR'S military interventions in defense of human rights in Kosovo and East Timor, Western leaders proclaimed a new determination to stand up to similar abuses whenever they occur. On one continent, however, warfare still rages unchecked, and far too little is being done about it. Renewed clashes in Sierra Leone and on the Ethiopian-Eritrean border are two recent examples of deadly African conflicts that have killed and displaced millions of people. Yet despite occasional bursts of aid and attention, the United States and Europe have remained largely disengaged. The reasons for their lack of involvement in conflict prevention and peacekeeping there are fairly obvious. War in Africa seems to pose no clear and present danger to U.S. interests. Furthermore, most African conflicts are fought within, not between, states. The international norms, institutions, and political will to intervene in such hard-to-solve conflicts remain inadequate. So do Washington's defense doctrine, bureaucracy, and budgets, all of which are still dedicated to preventing or settling traditional conflicts between states.

Yet those who argue that Washington and its allies should become more involved in solving Africa's problems make a powerful case. Africa is a vast continent of 700 million people with abundant natural resources and deep historical and cultural ties to the United States. It is simply too big and too important to be neglected. The question should be not whether, but rather how, to intervene there.

JOHN STREMLAU is a professor and the head of the Department of International Relations at the University of the Witwatersrand in Johannesburg, South Africa. From 1989 to 1994 he served as Deputy Director of the U.S. State Department's Policy Planning Staff.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Of course, preventing conflict in Africa is primarily a task for Africans. But the 1990s showed that outside help is needed. The nice-sounding nostrum of "African solutions for African problems" became an excuse for neglect, until the images of human suffering in Africa became impossible for the West to ignore—leaving humanitarian relief as the only real option.

There are alternatives, however. Preventing wars, rather than fighting them, has always appealed to American strategists, so long as no vital national interests are compromised. Washington's greatest foreign policy success—winning the Cold War peacefully through military deterrence and the building of a strong coalition of democracies—vindicated the strategy of containing conflicts before they erupt. That strategy should now be adapted for and applied to Africa, where most wars result from bad governance. Weak, authoritarian African governments lack the institutional capacity to manage factional struggles. They exclude majority or minority groups from power and suffer from poverty and gross income inequality. All of these tensions throw off sparks that can start a war.

Any strategy for preventing conflict in Africa must therefore address these fundamental flaws. In deciding how to do that, and how to do it affordably, Washington should remember the Cold War lesson that working closely with democratic partners spreads the burden and gives policies greater legitimacy. Although Africa has few ready candidates for such a partnership, the region's most politically capable and economically advanced state—South Africa—does share key interests and values with the United States. Developing a strategic partnership with Pretoria must therefore become the foundation for conflict prevention and democratic development in Africa.

Such a strategy will require serious U.S. backing for South Africa's lead. Much more generous engagement by the American government, the business community, and nongovernmental organizations is needed to help develop the economic foundations of South Africa's new democracy. Only then will South Africa be able to effectively inspire and support democracy elsewhere on the continent. A real partnership based on support and mutual respect—the kind America once created with postwar Europe and Japan—could profit the region tremendously. And it would be in Washington's interests as well. For

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

although the world may have changed since the Cold War, America's broad goals of preventing conflict and promoting a liberal international order remain the same.

Focusing on these goals in Africa will also help the United States overcome the lingering effects of two of the worst failures of President Clinton's foreign policy: the 1993 military debacle in Somalia and the failure to prevent the 1994 genocide in Rwanda. Both disasters had a profound impact on Washington. Although the American public and Congress would never tolerate a repeat of the Somalia intervention, unease persists about not having done more to prevent the massacres in Rwanda. Devising a new threshold for intervention, somewhere between the extremes of Somalia and Rwanda, is now necessary. But any new strategy will be easier to sell, both in Africa and in America, if it is seen as part of a broader strategy involving reliable regional partners.

TWO STEPS FORWARD, TWO STEPS BACK

WAR AND POVERTY remain dominant realities in Africa. According to the State Department, last year Africa had more major conflicts than any other continent. Wars causing at least 1,000 battle deaths per year plague Angola, both Congos, Eritrea, Ethiopia, Rwanda, Somalia, and Sudan. Meanwhile, low-intensity conflicts simmer in Burundi, Chad, Djibouti, Senegal, Sierra Leone, and Uganda. And several other countries, notably Nigeria, the region's most populous, suffer from internal instability that could erupt into greater civil strife. "Preventing such wars," wrote U.N. Secretary-General Kofi Annan in an unusually frank May 1998 report, "is no longer a matter of defending states or protecting allies [but] a matter of defending humanity itself."

Approximately 8.1 million of the world's 22 million cross-border refugees live in Africa, with many more millions having been displaced within their own countries. An August 1999 global assessment of humanitarian emergencies by the National Intelligence Council paints a very grim picture of the continent, noting that the overall "demand" for humanitarian assistance through 2000 will likely exceed the willingness of major donor countries to respond. Africa is home to 23 of the world's poorest countries, and an estimated 290 million Africans survive on less than $1 a day. External debt burdens (totaling

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

more than $200 billion), weak governments, and widespread corruption complicate efforts to alleviate poverty. On top of this, another recent National Intelligence Council report estimates that half of the world's infectious disease deaths take place in Africa, with old and new viruses posing global threats that governments must devise collective means to combat. 11. 5 million Africans have died of AIDS, and in 1998, 70 percent of the world's new AIDS infections occurred there.

Other trends point in more positive directions. Until the late 1980s Africa's only functioning multiparty democracies were Botswana, Senegal, tiny Gambia, and the island of Mauritius—and the first three had never managed to produce a change in government. But according to a recent Freedom House survey, 32 of 53 African countries are now either democratic or at least partly free, with elections of varying credibility.

In June 1999, sub-Saharan Africa's two most important countries celebrated major democratic rituals. President Thabo Mbeki succeeded Nelson Mandela in South Africa, and Nigerians ended 16 years of increasingly repressive military rule by electing Olusegun Obasanjo as president. The two new presidents then teamed up diplomatically in June, successfully persuading the Organization of African Unity to agree to sanction any African government that comes to power by military means.

Meanwhile, Senegal has moved closer to accepting human rights and democracy. In February, Senegal's High Court took the unprecedented decision to prosecute exiled former President Hissene Habre of Chad for "complicity in acts of torture" following complaints filed against him by several human rights organizations. And a month later, Senegal's long-serving President Abdou Diouf gracefully accepted defeat as voters ended 40 years of uninterrupted Socialist Party rule.

Economically, the world's poorest region is also showing some improvement. Negative rates of per capita growth in the 1980s have turned positive, with a three percent rise forecast for this year. More than 30 countries are implementing broad macroeconomic reforms, many for the first time. These include liberalizing trade and investment rules, reducing tariffs, rationalizing exchange rates, ending subsidies, stabilizing currencies, and privatizing state enterprises.

Yet setbacks are still occurring, and these highlight the need for preventive action. President Robert Mugabe's disregard for the rule

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of law in Zimbabwe, where he has sought to rewrite the constitution and has condoned both the intimidation of the opposition and the violent appropriation of white-owned farms, is one such example. Another is the renewed violence by warlord Foday Sankoh's Revolutionary United Front in Sierra Leone, which included the seizure of several hundred predominantly African U.N. troops in a bid to wreck an otherwise promising peacekeeping operation.

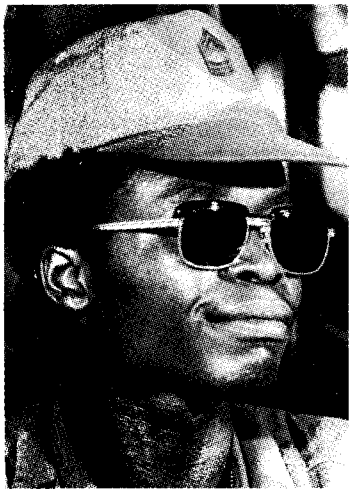
What all this means for Washington is that whichever party takes control of the White House early next year will have to take a fresh look at America's stakes in a changing Africa. To properly plan America's next move, however, requires understanding its past steps and missteps, starting with those taken by the Clinton administration.

WITH FRIENDS LIKE THESE

OLD AFRICA HANDS were initially surprised and delighted by the amount of attention Bill Clinton paid to Africa. His original national security adviser, Anthony Lake, was the first Africa expert ever to hold the post. Within weeks of the inauguration, an unprecedented White House Conference on Africa was held to signal a new chapter in U.S.-Africa cooperation. Since then, a steady stream of cabinet-level delegations has gone to Africa at the rate of about one every eight weeks. In March 1998, Clinton made his own unprecedented eleven-day, six-nation tour.

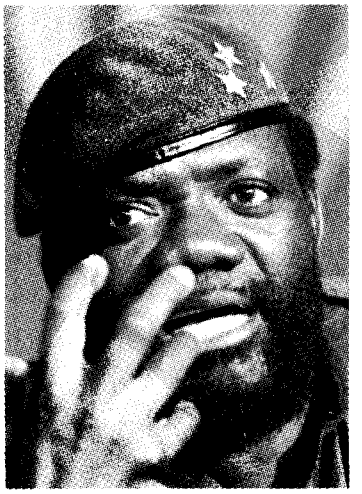
But neither the frequent high-level visits nor special events, such as the first-ever U.S.-Africa Ministerial Meeting, held in March 1999 for representatives from 50 countries, have resulted in major new programs. The main achievement of the ministerial, for example, was a unanimous call for the U.S. Congress to pass the stalled African Growth and Opportunity Act that grants improved U.S. market access to African textiles and other products. Yet it took more than a year for the White House and its allies in Congress to overcome pressure from U.S. textile interests (who were opposed to doubling Africa's 0.8 percent of imports) and pass this modest measure. Given the preferences already enjoyed by Asian textile producers, the reluctance to fulfill American promises to help create jobs in the world's poorest region was seen in Africa as another example of U.S. hypocrisy.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED



CORBIS-BETTMANN

CORBIS-BETTMANN



CORBIS-BETTMANN

Plus ça change: past leaders Samuel Doe of Liberia, Mobutu Sese Seko of Zaire, and Jonas Savimbi of Angola

Today, less than one percent of U.S. trade and investment is with sub-Saharan Africa. Of that, nearly 85 percent goes to just four countries. Three are oil producers—Angola, Gabon, and Nigeria—and the other is South Africa. The United States currently gets more than 16 percent of its oil from Africa, and oil accounts for America's nearly $7 billion trade deficit with the continent. Furthermore, with huge new discoveries in Angola, oil imports from Africa could surpass those from the Persian Gulf by 2010. Washington has rarely seemed to care what is done with the revenues from these sales, which have fueled war in Angola, enriched a corrupt clique in Gabon, and until last year, sustained military repression and horrific corruption in Nigeria. The oil sales also obscure the surplus that the United States runs with the majority of other sub-Saharan African countries, primarily with South Africa; in 1998 (the last year for which such figures are available) that surplus amounted to $1 billion.

A similar disparity between promises and performance has arisen over peacekeeping. Secretary of State Madeleine Albright and Assistant Secretary of State for African Affairs Susan Rice often speak about the seriousness of Africa's wars, calling the conflict in the Congo "one of the most dangerous in the world," and even comparing it to World War I. But neither their administration nor Congress has been willing to consider more than token funding

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

CORBIS-BETTMANN CORBIS-BETTMANN AP/WIDE WORLD PHOTOS

Present leaders Yoweri Museveni of Uganda, Meles Zenawi of Ethiopia, and Paul Kagame of Rwanda

for U.N. or regional peacekeeping forces, and each has consistently ruled out U.S. troop contributions under any circumstance.

When Secretary of Defense William Cohen visited Africa earlier this year—at the height of diplomatic activity to raise a U.N. force to implement the Lusaka peace accord for the Congo—he told journalists that the United States is "stretched so very thin" militarily that Washington could not be expected to play a role in African peacekeeping missions. Such comments have fueled African cynicism about American claims that Washington is doing all it can to bring peace. The problem is clearly one of will, not means, for any African with access to a television or newspaper knows the scale of the U.S. role in Yugoslavia. African governments are similarly aware that the United States, with 1.4 million armed troops on active duty and an annual defense budget that equals 80 percent of the combined GDPs of all 48 sub-Saharan countries, could do more if it wanted.

To be fair, African leaders have also shown a reluctance to commit to peace operations. Richard Holbrooke, the U.S. Permanent Representative to the U.N., used his time as chair of the Security Council to declare January 2000 "Africa Month" and threw his weight behind resolving the Congo war. But after convening in New York, the key players in the conflict failed to take advantage of the opportunity to work out a peace accord.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Further complicating matters, the Clinton administration's pledges to support democracy have likewise been dogged by a credibility gap. Part of the problem is historical. Before the end of the Cold War, U.S. policy was aimed primarily at gaining and holding reliable allies, and what went on within those allied states hardly mattered. In the 1980s, the four biggest African recipients of U.S. assistance were three dictators—Samuel Doe of Liberia, Muhammed Siad Barre of Somalia, and Mobutu Sese Seko of Zaire—and the Angolan insurgent Jonas Savimbi. The Clinton administration has tried to distance itself from this past—witness its embrace of a new bloc of leaders in East and Central Africa during the mid-1990s—but to little effect. Those heralded as America's new partners were Rwanda's Paul Kagame, Ethiopia's Meles Zenawi, Eritrea's Isaias Afwerki, and Uganda's Yoweri Museveni. Washington hoped these undemocratic but market-oriented strongmen would bring stability to their countries and then liberalize, all the while accepting advice from the International Monetary Fund (IMF) and the World Bank. Yet human rights groups claimed that Washington had merely substituted international economic allegiance for anticommunism as its criterion for support. Currently all four "partners" are at war, Ethiopia and Eritrea with each other and Rwanda and Uganda backing insurgents in the Congo. The lesson learned should be that Washington must from now on apply standards of good governance, not merely economic performance, in choosing its partners, lest it seem to reward repressive and even aggressive behavior.

MONEY WHERE THEIR MOUTHS ARE

A NEW APPROACH to conflict prevention and democratic development in Africa will require changes in both the substance and tone of American foreign policy. The first and easiest step will be rhetorical: the next U.S. president should designate conflict prevention as a primary goal of U.S. foreign policy. This should be followed by a concerted effort to win the support of Congress and the public. The president should call for a truly national commitment, one involving business, labor, and a broad range of civil society.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

States at risk, such as Nigeria today or South Africa in the waning days of apartheid, benefit from the involvement of human rights groups and nongovernmental organizations. These groups pressure troubled regimes to reform and to resolve factional differences through political means. American businesses can have a similarly powerful impact, showing their support for peaceful change through their investment decisions, and should be encouraged and backed by Washington to do so.

Internally, the U.S. government should take a number of steps to strengthen its approach to conflict prevention. Better interdepartmental communication and cooperation is necessary, especially between the State and Defense Departments. Early warning is rarely the problem. Rather, as in the case of Rwandan genocide, it is the failure to respond in time and with sufficient force.

Current U.S. political and military programs, such as the African Crisis Response Initiative or the International Military Education and Training Program (IMET), are useful but much too small: Africa's biggest IMET program, in South Africa, amounted to only $800,000 last year. Funding for these programs must be increased to build their capacity for conflict prevention and peace enforcement while helping to ensure that African militaries remain accountable to civilian authorities. Another urgent reason to work with African militaries is to help them cope with AIDS infection rates that run as high as 50 to 60 percent among some forces—a human tragedy that threatens the viability of Africa's militaries.

On an organizational level, senior American bureaucrats and embassy personnel should be allowed greater flexibility and resources to initiate preventive diplomacy, including offering to broker domestic disputes and to provide quick support from democracy-building programs. Also necessary is a long-overdue reform of what is left of U.S. foreign assistance, bringing it into line with a foreign policy dedicated to conflict prevention. In a similar vein, the State Department's public affairs programs and the operations of the United States' foreign broadcasting services must adopt prevention as a central theme, countering local hate radio that, as in Rwanda, is often a precursor of deadly conflict.

Finally, new funds will have to be found under current U.S. budget caps. This year the United States will spend less than one percent of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the federal budget on non-defense-related international affairs—about half what the Reagan administration invested in international affairs in the mid-1980s. This country cannot be a good partner, much less a leader, in conflict prevention when it has so little money to spend on it.

Apart from its own efforts, the United States should encourage the World Bank and other international donors to likewise stress conflict prevention in potentially troubled countries. The bank has already made good governance a priority, has embarked on several postconflict reconstruction efforts aimed at avoiding further fighting, and has begun cooperating with U.N. conflict-prevention efforts. But more could be done. International loans should be tied to demands for the protection of human rights, the rule of law, and transparency, while ensuring that they do not exacerbate conflict by favoring one faction over another.

Support for such moves exists in Africa itself. Subregional organizations in western and southern Africa are beginning to address abuses of power in Zimbabwe, Sierra Leone, and elsewhere. Such efforts deserve strong U.S. backing. More broadly, this new attitude was evident in May, at the first meeting of the Ministerial Conference on Security, Stability, Development, and Cooperation. The conference arose from a 1991 initiative by Obasanjo, Nigeria's current president, when he led a group of prominent Africans to adopt a set of human rights and good governance provisions modeled on those of the Conference on Security and Cooperation in Europe. Whether the fledgling body will match the CSCE's achievements, however, remains to be seen.

THE SOUTHERN STRATEGY

South Africa is of singular strategic significance to U.S. Africa policy. It is the continent's most advanced democracy by far, with an economy that accounts for 40 percent of sub-Saharan Africa's total GDP. Excluding oil imports, 60 percent of U.S. trade with Africa is with South Africa. The late U.S. Commerce Secretary Ron Brown included it in his list of the world's ten "Big Emerging Markets" vital to America's economic future. Such faith in the country as the economic engine of Africa appears well placed.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Roughly half of South Africa's economy depends on trade, and its fastest growing export markets are in Africa. Two-way trade with the rest of the continent shot up 20 percent between 1996 and 1998. The total volume of Pretoria's Africa trade in 1998 was just under $4 billion, compared to $5.75 billion with its biggest partner that year, the United States. And although South Africa ran trade deficits with industrial countries, it achieved a surplus with Africa of over $2.7 billion—enough to cover its deficits with three of its major trade partners, the United States, the United Kingdom, and Japan. These economic ties to the rest of Africa are vital to Pretoria's attempt to pull the country out of its apartheid legacy of inequality and unemployment. Although South Africa's economy grew only one percent in 1999, it is projected to increase by six percent over the next two years as the result of a highly disciplined macroeconomic strategy.

Business and government leaders in South Africa assert that they have only begun to penetrate African markets. Leaders of the country's newly empowered black business community, drawing on personal networks that date back to the anti-apartheid struggle, claim to be doing especially well in quickly expanding joint ventures across the region. South African companies, which enjoy greater proximity and familiarity with African conditions than their Western competitors, are expanding rapidly in areas of infrastructure development, telecommunications, and mining in Central, West, and North Africa. In 1997, South Africa surpassed the United Kingdom as the biggest exporter to Kenya. And last year, the South African Broadcasting Corporation launched Africa's first all-Africa 24-hour news service, available to satellite subscribers throughout the continent.

All of this is relevant to conflict prevention, since South Africa now promotes democracy elsewhere to serve its vital interests. Simply put, the rule of law is good for South African business. More important, human rights and democracy are essential for stemming the deadly conflicts that create millions of refugees (many of whom could become a burden to Pretoria), divert and destroy scarce resources, and discredit Africa internationally. When South Africa's leaders call on governments to hold each other more accountable for their

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

domestic behavior, they make clear that this is not merely a moral issue, nor an effort to export their domestic values. It is what Nelson Mandela called "democratic realism," noting,

> The neglect of human rights is the certain recipe for internal and international disaster. The powerful secessionist movements that are found throughout the world are nurtured by neglect. The erosion of national sovereignty by global forces, from trade to communications, has paradoxically been accompanied by an increase in the means to ensure separateness: the right to differ has, tragically, become the fight to differ.

On balance, Pretoria is living up to its commitments. Earlier this year, Nkosazana Dlamini-Zuma, South Africa's Minister of Foreign Affairs, announced that two newly discovered covert slush funds from the apartheid era would be used to strengthen "electoral and conciliation skills for emerging democracies in Africa" with an initial $30 million grant—an amount nearly equal to what the U.S. Congress provides annually to the National Endowment for Democracy. Another investment in conflict prevention is the $140 million "lifeline" of emergency loans and credits to help stabilize Zimbabwe's economy and halt its slide toward authoritarianism and mass violence. Although its leverage in the Democratic Republic of the Congo and Angola is more limited, South Africa continues a strenuous diplomatic campaign seeking political, not military, solutions.

Globally, South Africa serves as a key bridge between North and South, promoting human rights and democracy as the chair of several important bodies, including the 113-nation Nonaligned Movement, the Board of Governors of the IMF, the 53-member Commonwealth, and the U.N. Conference on Trade and Development. In recent months, South Africa has sought to forge a coalition with Brazil, Egypt, India, and Nigeria to press for the resumption of world trade talks. South Africa is also the sole African member of the new "Group of 20" initiative proposed by the United States as a way of bringing together major industrial and developing countries.

In less than a decade, South Africa has gone from a pariah state to Africa's indispensable country. If the United States is to develop a network of politically capable states in Africa to help manage

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

transnational threats such as terrorism, crime, drugs, and the spread of deadly diseases, then South Africa must become its strategic partner and the hub of that network. Yet so far, the U.S.–South African relationship has failed to live up to expectations.

MASAKANE

In March 1998 Bill Clinton became the first U.S. president to address the South African Parliament. He used the Sotho term *masakane*—"working together"—to describe the kind of relationship Washington seeks with Pretoria. This seemed natural given the oft-noted convergence of interests and values between the two countries, and on the surface relations do now appear very close. A 1999 opinion survey by the Chicago Council on Foreign Relations ranked South Africa among the top ten countries that Americans most admire, a view shared by leaders of both parties.

Most U.S. politicians grew up during the civil rights struggles of the 1960s and have a visceral understanding of the enormity of South Africa's political achievement, as well as the negative effects that images of mass violence there might have had on race relations in America. South Africa's first universal election in April 1994 thus came as a relief and provided an encouraging contrast to the simultaneous failure of democratization elsewhere. That same month, genocide erupted in Rwanda and within weeks more than half a million civilians there were dead. In the Balkans, NATO aircraft mounted their first attacks in reaction to outbreaks of violent ethnic nationalism.

To show support for democratic South Africa, the United States provided $210 million in foreign assistance in 1995 and launched an extraordinary Binational Commission (BNC), chaired by Vice President Al Gore and South Africa's then deputy president, Thabo Mbeki. The BNC met every six months and included as many as seven cabinet ministers from each side. Since 1995 a plethora of bilateral committees and subcommittees have met under BNC auspices to discuss problems and propose new initiatives in the areas of trade and investment, education, energy, agriculture, science and technology, defense, and justice. But as with other aspects

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of U.S. Africa policy, the BNC has so far amounted to more symbolism than substance. It has produced highly publicized protocols, often with useful training and exchange components, but without the financial backing to effectively help South Africa overcome the legacies of apartheid.

By 1998, in fact, South Africans had grown so wary of binational initiatives that are expensive to administer but bring no substantial benefits that they insisted that Clinton's state visit be billed only as a "goodwill mission." They had good reason to do so: the U.S. Agency for International Development's South Africa budget, which pays the U.S. costs of the BNC, had dropped 80 percent, to about $47 million—an amount roughly equal to 8 percent of the U.S. trade surplus with South Africa that year. U.S. diplomats blame the budgetary straitjacket imposed by Congress but insist that the bilateral relationship has become a "normal one," similar to those with America's major Western partners.

Yet huge differences persist between the two countries, and the U.S.–South Africa partnership has a somewhat shaky foundation. It rests primarily on shared values but does not reflect similar needs or domestic capabilities. The U.S. economy is more than 50 times bigger than South Africa's and has just a tiny fraction of South Africa's unemployment rate. White South Africa enjoys a standard of living comparable to Spain's (24th in the world) whereas black South Africa gets by at the level of the Republic of the Congo (123rd in the world). Crime levels are among the highest anywhere. And the government's capacity to deal with these and other problems is being severely constrained by the skyrocketing costs and social impact of AIDS, which spreads to 1,700 new individuals each day. Meanwhile, South Africa's 86 percent black majority still owns less than 20 percent of the country's land. (Such unequal land distribution has inflamed conflict in neighboring Zimbabwe.) Social upheaval in South Africa remains a danger, despite the country's magnificent political achievements and sound economic policies. Assisting South Africa to reduce this danger should be a top priority of U.S. Africa policy.

The next U.S. administration should issue fewer empty pledges and back a new strategy of more substantial and comprehensive engagement,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

one involving business, civil society, and state and local governments to support South Africa's economic and social transformation. This will require returning the country to the centrality in U.S. Africa policy it had during the Reagan administration. Second, the BNC should be broadened and better funded, with more substantial public-private partnerships in such high-priority areas as education, health, crime prevention, micro-enterprise, and rural development. Third, a return to the assistance levels of the mid-1990s is necessary to encourage much greater private-sector and civil-society participation by Americans and South Africans. Such measures hardly seem extravagant when weighed against the basic values and long-term interests America has at stake in South Africa's democratic success.

A WHOLE NEW WORLD

SOUTH AFRICA TODAY is a microcosm of global inequities and is trying to build a decent society against huge odds. It has escaped civil war, but the danger of a slide toward chaos or authoritarianism—however slight—must never be discounted. In light of this, U.S. reluctance to more generously help South Africa's domestic transformation seems dangerously shortsighted.

Substantial new support would be welcomed by Pretoria. South Africa also needs U.S. backing for debt forgiveness elsewhere in Africa, for cheaper access to lifesaving drugs—especially to combat AIDS—and for giving developing countries a greater voice in the policy debates of the IMF, the World Bank, and the U.N. (by expanding the Security Council). This would show Pretoria's critics that tangible benefits can result from a democratic North-South partnership.

South Africa's call for reform of the U.N. system reflects Mbeki's vision of a grand global bargain. Under it, developing countries would accept stricter international accountability for human rights and democracy locally, while wealthy nations would agree to broaden governance globally. The U.N. and international financial institutions, whose job it is to define and enforce stricter standards of national accountability, also must become more representative of the world's people. Until recently, South Africa's cry to the world was for freedom. Now it warns of the coming challenge: to rein in rising inequities that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

threaten not only its democracy but also the liberal international order that America is committed to uphold.

Seventy-five years ago, W. E. B. Du Bois wrote that the denial of democracy in Africa and Asia hinders its realization in Europe and America. Today it is no longer the simple creation of democracy in Africa but rather its development and entrenchment that should matter most to Europe and America. Only with lasting democracies—especially in South Africa and Nigeria, sub-Saharan Africa's major powers—will Africa have a realistic chance at conflict prevention. Achieving such democratization in Africa need not take as long or cost as much in blood or treasure as it did in Europe. But it may well, unless the United States and other Western nations realize that their best interests lie in helping Africans find a faster pathway to democracy and peace.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Reviews

THE ROYAL COLLECTION ©2000, HER MAJESTY QUEEN ELIZABETH II

Robert Peel, by Franz Xaver Winterhalter

Unlike Robert Peel, who bravely liberalized Britain's trade, today's politicians are too often sellouts to the protectionist cause.

Globalization in Your Face *Jagdish Bhagwati* 134

Full Steam Ahead *James D. Robinson III* 140

Recent Books on International Relations 142

Letters to the Editor 166

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Review Essay

Globalization in Your Face

A New Book Humanizes Global Capitalism

Jagdish Bhagwati

A Future Perfect: The Challenge and Hidden Promise of Globalization. BY JOHN MICKLETHWAIT AND ADRIAN WOOLDRIDGE. New York: Crown Business, 2000, 386 pp. $27.50.

If you thought globalization is the fastest-growing phenomenon today, think again. Books about globalization are. *A Future Perfect* is only the latest in a torrent of writings on the subject, chief among them being *The Lexus and the Olive Tree* by Thomas Friedman. Yet it stands as one of the rare exceptions to the law of diminishing marginal utility; its many merits far outweigh the sense of déjà vu that afflicts most books taking yet another look at globalization.

It is not just that Micklethwait and Wooldridge (both of *The Economist*) write gloriously. As journalists, they have learned the art of making a point vividly by buttressing it with an apt anecdote, a striking interview, or a telling quote. Yet the book's substance is what really makes it stand out. The authors neatly sketch and defend globalization, examine its pitfalls, and analyze how to avoid them. Given such an overwhelming agenda, they cannot hope to paint on this immense canvas without incurring minor blemishes of detail and errors of judgment. But judged in its entirety, with all its ambition and achievement, the book is a spectacular success.

The authors' predilection for free markets makes them skeptical of the many populist critiques of globalization. Yet they often manage to turn these critiques on their head to show the exact

JAGDISH BHAGWATI is Senior Fellow in International Economics at the Council on Foreign Relations and is on leave from Columbia University. He is the author of *A Stream of Windows: Unsettling Reflections on Trade, Immigration, and Democracy* (1998).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

opposite—that globalization can work to lift overall prosperity and reduce poverty. Indeed, Micklethwait and Wooldridge are at their most eloquent and persuasive when they broaden the scope of their case to include liberty and democracy as globalization's additional benefits.

Then again, since the authors are historians by education, they are aware that globalization had been halted in the past and that it can run into rough weather again as it did in the first half of the twentieth century. Therefore, they analyze at length the nature of growing antiglobalization sentiments, which in turn leads them to suggest how globalization should be "managed" if it is to survive and deliver on its immense promise for humankind.

MOTLEY CREW

No one can escape the antiglobalists today. One can simply turn on the TV, read the news reports on the street theater in Seattle last year and in Washington, D.C., this year, or read profiles of the professional anti–World Trade Organization (WTO), anti–Bretton Woods, antiglobalization agitators in *The Wall Street Journal* (Lori Wallach of Public Citizen) or *The New Yorker* (Juliette Beck of Global Exchange).

This motley crew comes almost entirely from the rich countries and is overwhelmingly white, largely middle class, occasionally misinformed, often wittingly dishonest, and so diverse in its professed concerns that it makes the output from a monkey's romp on a keyboard look more coherent. But it has become powerful enough to force many rich-country politicians to play along. Micklethwait and Wooldridge excoriate the latter as sellouts, contrasting them unfavorably with great leaders such as Robert Peel, who took huge political risks to liberalize Britain's trade in 1846. It has now become customary among politicians—particularly those who claim to share others' anguish but whose own anguish relates primarily to the votes they seek—to say that "globalization needs a human face." This implies, of course, that it lacks one. And there starts the rot—an implicit surrender, in the face of logic and evidence, to the worst fears and loudest rhetoric of globalization's critics. In response, Micklethwait and Wooldridge insist that our leaders debunk the myths.

Statesmanship requires that politicians say, "Globalization has a human face; it works wonders in all sorts of ways. Sure enough, like every gigantic force or phenomenon, it has a few downsides. But what this simply means is that the indisputably human face of globalization needs a trinket in one ear and cosmetic surgery on the other."

HISTORY'S LESSONS

Only a little knowledge of postwar history on attitudes toward globalization is needed to toughen up politicians' spines: it shows that policymakers who succumbed to antiglobalization fears lost out to contrary experience—and are consigned by the now eagerly globalizing poor countries to the dustbin of history, to be returned to center stage only when their sorry images are invoked to underline what went wrong.

In the postwar period there has been an ironic reversal of attitudes toward globalization. Rich-country politicians embraced globalization in the decades following World War II, forging the liberal international economic order. By

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

contrast, poor countries walked away from it, treating it as a peril rather than an opportunity. But today, mainstream policymakers in poor countries are busily abandoning autarkic attitudes while rich-country lobbies and responsive politicians are reinventing for themselves the very fears that the now-chastened policymakers in poor countries consider to have been disastrous for their well-being.

For example, concerns over trade and incoming foreign direct investment (FDI) provoked the poor countries' battle cry from the 1950s through the 1970s: that "international integration leads to national disintegration" (in the words of Chilean intellectual Osvaldo Sunkel). And the "benign impact" models that economists espoused—which portrayed international trade and direct investment as mutually beneficial for all countries involved—were replaced by contrary and deeply pessimistic approaches. "Malign impact" models fretted that interaction with the "center" countries would harm the economies of the "periphery" (the developing world). Other "malign impact" arguments contended that the periphery was being put at political risk through an unwitting loss of sovereignty to rich nations and their corporations (the celebrated *dependencia* thesis of the then-sociologist and now Brazilian president, Hernando Cardoso). And "malign intent" models of neocolonialism asserted that globalization of trade, aid, and investments was no more than a calculated reimposition of colonialism by other means.

These arguments should sound familiar to anyone watching the news today. If the poor countries once worried about the outflow of their skilled—the brain drain—to the center, scholars like George Borjas and Orlando Patterson and the unions now fear the inflow of the unskilled from the periphery. Poor countries once worried that trade with the center would harm their nascent industrialization and development; today, trade with the periphery strikes terror in the hearts of the center's unions, who believe their wages will be reduced to Chinese levels. Whereas the periphery once resisted the inflow of FDI, rich-country unions now resist its outflow. If the periphery once opposed being dominated by the center, the center now fears losing its identity to the periphery. And the examples run on.

CLUELESS

In the face of these cascading complaints, today's rich-country antiglobalists must be taught the same lesson before damage is done—what the poor-country antiglobalists had to learn painfully years ago from the policy choices dictated by their doctrines. And since there is almost always a morsel of wheat underneath the abundance of chaff, the residual, legitimate complaints of the antiglobalist camp must also be addressed. The energy that drives the antiglobalist campaigns stems from four different types of fallacies.

The Fallacy of Aggregation

Micklethwait and Wooldridge's account excellently describes how globalization raises many diverse issues, including culture, national identity, and economic organization (e.g., whether big corporations will displace the small mom-and-pop outfits). It is particularly fascinating when it describes in loving detail the growing tribe of "cosmocrats"—graduates of rapidly homogenizing business schools who circumnavigate the globe with cell

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

phones and laptops, our noisy neighbors on planes and trains like a throwback to the "ugly Americans" of yesteryear. They aptly note that the gulf, indeed the chasm, that separates these ceaselessly orbiting elites from their own local communities creates tensions that feed the antiglobalist paranoia.

But they fail to emphasize that globalization attracts gratuitous criticism because few care to analyze its anatomy. That failure, which leads critics to commit the fallacy of aggregation by visiting the sins of one type of globalization on all others, is most manifest in the reactions to the Asian financial crisis. It has been widely assumed that if freedom of capital flows had caused a devastation in Asia, free trade must be judged a mortal peril as well. But as every serious student of globalization knows, important similarities exist among freer trade, freer capital flows, and freer migration. Yet there are also striking dissimilarities, both economic and political. For example, it would be fanciful to imagine that free trade could lead to the kind of upheavals wreaked by financial liberalization.

The Fallacy of Misassigned Blame

The antiglobalists also make the mistake of attributing to globalization the blemishes of other faces. To take the most telling example, many workers and unions fear that the deterioration, then stagnation, of unskilled workers' real wages in the 1980s and early 1990s resulted from trade and foreign investment. That would appear to be another black mark against globalization—except that the argument cannot be sustained. Most of the empirical work of the last decade suggests that trade with the poor countries has not produced paupers in our midst. Marx, who wrongly predicted the proletariat's immiseration in the nineteenth century, is not striking again courtesy of globalization. Recent work suggests that trade may have moderated, rather than accentuated, the decline in real wages (especially in the 1980s) that other factors such as unskilled-labor-saving technical changes were forcing.

This tendency to blame globalization for the evils of the world that are attributable to other causes is evident all too often. The literature of the radical groups in Mexico's Chiapas, which has endured poverty for more than a century, would have one believe that the 1993 North American Free Trade Agreement had much to do with it instead.

The Fallacy of the Wrong Question

Then again, some critics ask the wrong question. The United Nations Development Program and the World Bank have fallen prey to repeating endless condemnatory variations on the theme that globalization has led to greater income inequality. But even if such a causal relationship could be established—and it has not been—they do not explain why should it matter, given that inequality's consequences will differ hugely across countries, from negative to positive effects.

To illustrate, if George Soros makes another $1 billion while the poor earn no more, inequality will increase in New York: the top five percent of households will earn a greater share of total income and the bottom five percent will earn less. Yet the poor may not even notice this—or they may even see it like an increase in the lottery of the American Dream. Similarly, if Bill Gates makes $30 billion, he may spend $25 billion on charitable

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

contributions to eliminate disease in Africa and thus truly help the poor. If this income had been earned in a more egalitarian fashion by the multitude or shared in smaller sums among his rivals, the impact on the redistribution of well-being would have been worse from a cosmopolitan-egalitarian viewpoint. Without these deeper forms of sociological and economic analyses, the antiglobalization bureaucratese remains empty and the liberal talk around it little more than populist rhetoric.

The Fallacy of Inappropriate Solutions

Compounding these errors is the fallacy of inappropriate solutions to globalization's alleged problems. Micklethwait and Wooldridge illustrate this beautifully through their discussion of culture and globalization. For instance, the French and the Koreans have been sensitive about Hollywood's overwhelming their cinema. The European Union has opted for audio-visual restrictions that impose quotas on time allotted to U.S. films, thereby restricting the scope of free trade. But it would be more sensible to opt for a subsidy to French cinema while maintaining free trade in films. That way, French cinema can be encouraged while free trade indulges consumer choice and allows healthy competition between Renoir and Spielberg.

The debates over hormone-fed beef and genetically modified (GM) foods represent another divide. Europeans have turned dramatically against what they term "Frankenfoods," whereas the United States has not. But this difference might well stem from cultural attitudes. After all, the United States is a protechnology, pill-popping country, a land of silicone implants and Viagra—or, as one wit put it, a nation of artificially enhanced women chased by artificially aroused men. It is wrong for the United States to insist that, short of "scientific evidence," Europe must accept GM foods and hormone-fed beef. To pretend that the Europeans are protectionists when they make a cultural choice in rejecting these foods misses not only the point but the bus.

The same goes for contentious issues such as child labor. Methods other than trade sanctions are far more appropriate to reduce child labor; hence, the International Labor Organization, not the WTO, is the preferred institution to go through. Many nongovernmental organizations in the poor countries where child labor is a concern consider trade sanctions to be counterproductive—and regard the Clinton administration's endorsement of the AFL-CIO demand that the WTO embrace a "social clause" as politically motivated protectionism hiding behind a mask of moral concern. Aided by the administration, meanwhile, unions stand uncorrected and unexposed while taking the ostensible higher ground to target the WTO and globalization.

KEEPING THE FAITH

Micklethwait and Wooldridge conclude with a final, grand question: Who should run to the barricades to save globalization, and with what weapons? They exhort politicians and business groups to fight for the cause. Indeed, they must. But surely this is not enough. The primary role in defending globalization will have to be played by the intellectuals. Until the myths and half-truths spread about globalization are destroyed with pointed argumentation, until wrong policy

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

proposals are publicly and continually challenged and right policies advocated in their place, the average politician cannot be expected to stand up and fight for the common good. John Maynard Keynes, the authors' favorite intellectual, wrote famously of the power of "defunct economists" over today's policies. Today's economists and public intellectuals must be more ambitious. They must roll up their sleeves and get into the battle, fighting to influence policies while they are still alive and kicking—not after they are gone and defunct.

EDUCATORS:

Create your own textbook with FOREIGN AFFAIRS customized anthologies.

It's easy as...

1. Choose articles from **FOREIGN AFFAIRS** and thirteen other journals to design a book specifically for your course.
2. Either search our website (www.foreignaffairs.org/envoy) for articles to include, or fax your list to our anthology coordinator at (212) 744-5407. You can also find a price quotation sheet at the website address listed above.
3. Relax. We'll have your high quality, perfect bound paperback book to you within four weeks from the time we receive your bookstore's order.

The benefits are clear:

- Your name & course on the cover
- All recent articles are available
- Add your own material
- Copyright permissions are pre-cleared
- 2 complimentary copies included
- Priced for your student's budget
- Bookstores receive a 20% discount

For more information, contact:

FOREIGN AFFAIRS
Anthology Coordinator
58 East 68th Street
New York, NY 10021
1 800 716-0002
or via e-mail: ForAff@cfr.org

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Update

Full Steam Ahead

"Inflation Overkill" Revisited

James D. Robinson III

For the past few years, the United States has enjoyed unprecedented economic growth. Warnings that inflation would kick in if the economy grew faster than 2.5 to 3 percent have proven wrong. The theory of "maximum sustainable capacity" has been shattered. Jobs have been created—despite large corporations' restructuring and downsizing—by an incredible surge in the growth of small companies, increasingly fueled by the Internet and cheap capital. Unemployment remains near historic lows, and much of the country has grown wealthier.

My September/October 1994 article in these pages, "Inflation Overkill," proposed that the U.S. economy could grow at five to six percent without incurring inflation. It also stated that inflation was not a threat then, nor would it be in the foreseeable future. The six intervening years have proven these observations correct. What was true in 1994 is equally true today. Yet many economists continue to focus on old economic and financial indicators, overlooking the power of a new anti-inflation weapon: competition. Competition—brought about by trade and technology—has stripped most businesses of their pricing power. And if businesses cannot raise prices (and cannot make price increases stick), there is no inflation.

Open markets that allow for more trade, together with better information technology, are the best allies the Federal Reserve and central bankers around the world have in their fight against inflation. Those two forces are more effective in controlling prices than the age-old tool of raising interest rates. Yet the Fed does not seem to agree: it has raised its key interest rate almost continuously over the past year. The presumption that the Fed must move faster than inflation to prevent it could become self-fulfilling. Remember, money

James D. Robinson III is General Partner of RRE Ventures, a private venture investment firm, and former Chair and Chief Executive Officer of American Express Company.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is a commodity, so raising the price of money can cause the price of goods and services to go up, triggering inflation. Ironically, the only institution today that has the power to raise prices is the Fed.

Inflation happens when too much money chases too few goods and services. Several Fed board members have expressed concern over an imbalance between demand and supply. But with open markets and competition, there is no such thing as a supply shortage. There are no shortages unless normal market forces are disrupted by protectionism, inefficient monopolies, outdated regulations, or overly tight money. There may be short-term bottlenecks in given areas, but competition works very well in open markets fueled by information technology. Competition, the speed of today's change, and the Internet—with its auction and purchasing sites on one hand and its "dot com" companies on the other—leave little room for demand to outstrip supply. In other words, it's the competition, stupid.

On the cost side are two potential inflationary culprits: energy and the cost of money (which has risen by more than 20 percent in the last year alone). Higher interest rates, along with higher fuel prices, are the twin factors that exert the greatest pressure on costs. Were it not for the steadily decreasing cost of other basic services like telecommunications and the fact that information technology has let businesses offset profit-margin pressure, inflation could return. Indeed, inflation has affected such old-economy areas as the hotel and airline industries, both of which have been hurt by interest rates and rising energy costs. So where are the "dangers of increased productivity" that many, including Fed Chair Alan Greenspan, fear? In fact, without those productivity gains, higher energy and interest costs might have forced up more prices. In short, the Fed must take care not to cause the very inflation it seeks to prevent.

Greenspan is also concerned about the so-called wealth effect: will greater asset wealth (fueled by high stock prices) cause excessive spending, which in turn creates a supply-demand imbalance? The theory is that every $1 of additional stock-market wealth will boost consumer spending by 3 or 4 cents. Several studies, however, including ones published by the Fed, question any meaningful linkage between greater wealth and excess spending. Are not economic prosperity and the creation of jobs and wealth laudable goals? And if competition keeps prices in check, where is the inflation?

We have seen only the early stages of the Internet's positive impact on economic growth and standards of living worldwide. Developing countries will be able to leapfrog into the economic mainstream as wireless communications and other technologies benefit businesses and consumers. Greater access to better information inevitably empowers consumers, be they businesses, governments, or individuals. Transparency exposes inefficiencies. The Internet reduces entry barriers and brings competition to previously protected arenas. Better, faster information fosters better markets—in other words, faster supply to meet new demand.

This new world environment bodes well for an extended period of impressive economic growth with low inflation—unless higher interest rates (or the expectation that the Fed will tighten them) put all this at risk. Let us hope the Fed embraces the power of its newfound allies and allows the phenomenon of the 1990s to continue.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Recent Books on International Relations

Western Hemisphere

KENNETH MAXWELL

A Strategic Flip-Flop in the Caribbean: Lift the Embargo on Cuba. BY WILLIAM RATLIFF AND ROGER FONTAINE. Stanford: Hoover Institution Press, 2000, 77 pp. $5.00 (paper).

The divisions over Cuba policy have never been as simple as is often portrayed. Not all who oppose the embargo are left-wing Castro apologists, and not all who favor strengthening it are right-wing ideologues. In fact, the sharpest recent criticism of Cuba has come from liberal human-rights organizations. Now the conservative Hoover Institution has published a policy essay making a powerful case for a unilateral lifting of the embargo. The authors, veteran Latin America watchers and staunch conservatives, maintain that the Elián González case demonstrates the inevitable consequences of a Cuba policy that is both needlessly confrontational and wholly ineffective. The embargo made sense during the Cold War, but it has now been reduced to a personal vendetta against Castro. Hence U.S. policy remains hostage to both Castro and the "inordinate political clout" of the militant Cuban community in Miami. Rather than following piecemeal gradualism, the authors argue, the United States should lift the embargo immediately and drop Castro from America's "Most Wanted" to its "Least Relevant" list. This may not necessarily bring democracy to Cuba, but it remains preferable to an embargo that has brought neither democracy nor improved human rights to the island. Ratliff and Fontaine conclude by accusing this year's presidential candidates of parroting "varying versions of the current failed policy"—and they remind the reader that politicians, not the Cuban-American lobby, are most responsible for failing to forge a new post–Cold War agenda.

Development and Democracy in the Southern Cone: Imperatives for U.S. Policy in South America. BY SIDNEY WEINTRAUB. Washington: CSIS Press, 2000, 112 pp. $15.95 (paper).

A succinct and clear-headed analysis of the U.S. relationship with the Mercosur trading bloc—Argentina, Brazil, Paraguay, and Uruguay. Weintraub argues that Washington has often underestimated or simply neglected the intrinsic economic importance of the Mercosur countries, especially Brazil, even as the U.S. private sector has plunged ahead. Since Mercosur's ultimate goal is creating a common

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

market, U.S. policymakers also need to understand these countries' political aspirations. Brazil's preference for free-trade agreements within South America over hemisphere-wide negotiations with Washington, for example, arises from Brazil's belief that this approach will provide Mercosur with more leverage against the North American Free Trade Agreement (NAFTA). Brasília also sees the U.S. commitment to opening its own markets as ambiguous at best as long as Congress refuses to grant the president "fast track" authority to speed up trade deals. Yet Brazil's politically driven economic strategy may be counterproductive. As Weintraub sees it, Brazil's interest lies in liberalizing trade with the United States above all else, given that the bulk of northbound Brazilian exports are manufactured products—the sector that would benefit most from a hemisphere-wide free-trade agreement. The author forcefully argues that the economic issues are too important to be ignored, especially during international financial crises. But he concedes that more progress has been made in areas such as democratization, where the southern cone's prospects are especially bright.

Latin America and the United States: A Documentary History. EDITED BY ROBERT H. HOLDEN AND ERIC ZOLOV. New York: Oxford University Press, 2000, 384 pp. $49.95 (paper, $24.95).

A helpful collection of documents that illuminates the complex relationship between the United States and Latin America over the past two centuries. Although aimed at college students, these texts provide a first-rate reference tool for policymakers and journalists needing quick access to original sources and pithy quotations. Aided by a good index and thoughtful introductions, the volume provides a superior guide to the evolution of U.S. attitudes toward the region while including influential Latin American voices. In addition to some classic diplomatic texts such as the Monroe Doctrine, the Olney Memorandum, and the Roosevelt Corollary, the editors include less-familiar declarations, such as unofficial sources and Latin American critiques of U.S. positions. The editors have also compiled a diverse selection of cultural approaches that brings John Quincy Adams together with Jack Kerouac, Ariel Dorfman with George Kennan, and Theodore Roosevelt with José Martí. Such stimulating and mischievous juxtapositions make this book very difficult to put down.

Harvest of Empire: A History of Latinos in America. BY JUAN GONZÁLEZ. New York: Viking, 2000, 346 pp. $27.95.

Latinos are estimated to become the largest U.S. minority group by 2010, numbering more than 40 million. This spectacular transformation has resulted largely from escalating immigration since the 1960s, profoundly affecting such states as California, New York, Texas, and Florida. González, a columnist at the *New York Daily News,* addresses this massive demographic shift in his rich, angry, and provocative book. With a combination of history, reportage, cross-disciplinary insights, and old-fashioned leftist outrage, he links U.S. intervention abroad and the tyranny of its unbridled market to the profound transformations at home—namely, the arrival of millions of Spanish-speaking immigrants. They

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

are the "unexpected harvest" of the "expansion that transformed the entire hemisphere into an economic satellite," he charges. In turn, U.S. policy toward its Latin American population will determine whether domestic tranquillity or interethnic conflict will mark the twenty-first century. His solutions are radical: complete labor mobility between the United States and Mexico to end the "predatory" market in cheap Mexican labor; recognition of minority language rights; investment in U.S. cities and public schools; and an end to U.S. militarism, Puerto Rico's colonial status, and the blockade of Cuba. This book will not be popular in many boardrooms, but it tells a salutary tale that is set not south of the border but on Main Street.

Populist Seduction in Latin America: The Ecuadorian Experience. BY CARLOS DE LA TORRE. Athens: Ohio University Press, 2000, 192 pp. $22.00 (paper).

The repeated success of populist appeals to the poor—to the detriment of modernizing political movements—is not an exclusively Ecuadorian dilemma, but it has recently wrought in Ecuador the most deleterious effects: an elected president's removal, unrest in the army and the indigenous population, a default on bond payments, and a desperate attempt to use dollarization to impose fiscal responsibility. In this timely book, de la Torre examines the rule of José Maria Velasco Ibarra (1934–72) and Abdalá Bucaram Ortiz, who was elected in 1996 but removed from office in 1997 on grounds of "mental incapacity" after his reform efforts failed to find allies. Both claimed to represent mestizo Ecuador but ultimately excluded indigenous peoples from their concept of the Ecuadorian nation—and both were contemptuous of democratic institutions and procedures. De la Torre attributes the populist appeal in Latin America to the weakness of citizenship rights, which in turn limits the poor's power to defend themselves and forces them to depend on protectors. Some politicians have responded to this frustration with inflammatory rhetoric and clientelist networks. Yet by the early 1990s, the emergence of a powerful indigenous movement was already complicating the Ecuadorian scene. All these intricacies, argues de la Torre, make it "premature to offer any optimistic assessment on the future of race relations in Ecuador."

The Friendly Liquidation of the Past: The Politics of Diversity in Latin America. BY DONNA LEE VAN COTT. Pittsburgh: University of Pittsburgh Press, 2000, 328 pp. $50.00 (paper, $24.95).

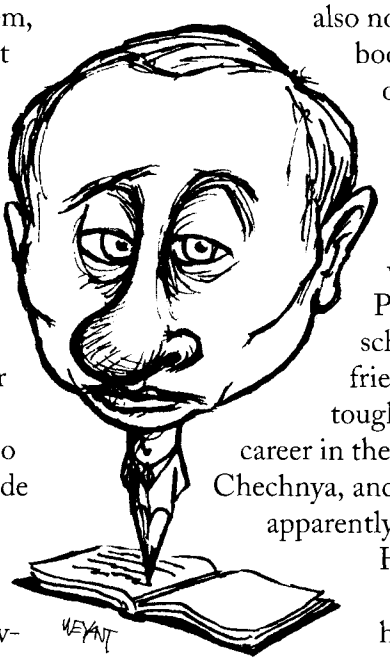
A sophisticated analysis of the push to recognize indigenous rights in Bolivia and Colombia. Until the 1990s, both countries had political systems that excluded economically marginalized groups, especially minorities. Recent constitutional reforms have tried to correct this by improving parties' accountability and incorporating excluded sectors of the population. But as the reformers decentralized politics, their high expectations and vague language actually helped stimulate conflict rather than mitigate it—especially between communities with totally divergent concepts of property rights. Other Latin American countries have similar problems, but Colombia and Bolivia face an especially complex cultural mosaic and onerous historical burdens. In Colombia, for

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

example, constitutional recognition of the indigenous population was later expanded to include the country's large population of African ancestry. Placing her analysis in a broad comparative framework, Van Cott makes clear that these issues resonate profoundly wherever the traditional model of a culturally homogenous nation-state is under challenge.

Citizen Emperor: Pedro II and the Making of Brazil, 1825–1891. BY RODERICK J. BARMAN. Stanford: Stanford University Press, 2000, 576 pp. $55.00.

From the 1840s to the 1880s, Brazil was ruled by Pedro II—a male version of Queen Victoria. A good, modern assessment of this diffident, important figure has long been needed, and Barman's account goes a long way toward closing a major gap in Brazilian historiography. Using original material from the emperor's personal archives, the author portrays the nineteenth-century Brazilian government at work, offering interesting information on its political elite, party system, and foreign relations. A fervent enthusiast for modern science and technology, Pedro wished to mold a modern Europeanized nation; indeed, Europeans contrasted favorably Brazil's stability and prosperity during the middle years of his reign to the violently unstable successor states of the former Spanish empire. But the regime was also more beholden to the slave-trade interests than even the emperor was prepared to admit. The monarchy survived only one year after Brazil abolished slavery in 1888. Increasingly isolated, always self-centered and lonely, Pedro had little will to resist the military coup in 1889 and died in exile in Paris two years later. An original and enjoyable contribution—especially for readers who see Brazil as a mystery and a Victorian Brazilian monarch as a striking improbability.



Eastern Europe and Former Soviet Republics

ROBERT LEGVOLD

First Person: An Astonishingly Frank Self-Portrait by Russia's President. BY VLADIMIR PUTIN. New York: PublicAffairs, 2000, 207 pp. $15.00 (paper).

"Astonishingly frank" may be stretching it, but one does get a sense of the man from this conversation. "Self-portrait" is also not quite right, since the book is really the product of a series of interviews conducted over several weeks by three Russian correspondents, embroidered with commentary from Putin's wife, daughters, schoolteacher, and old friends. The reporters ask tough questions about his career in the KGB and the war in Chechnya, and he responds with an apparently fair degree of candor. He offers little hint of the direction in which he intends to lead—

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

probably because he does not know. But Putin does emerges from these pages as a believer in loyalty and duty (particularly to his old bureaucracy, the KGB) and as someone without substantial philosophical ballast. He expresses no longing for the Soviet past and no passionate commitment to a liberal future—yet seems eager to get things done and taken with the need to restore Russia's moral compass.

The Rasputin File. BY EDVARD RADZINSKY. New York: Doubleday, 2000, 524 pp. $29.95.

In 1995, Mstislav Rostropovich bought at a Sotheby's auction the long-lost file of the investigation into the court of Nicholas II conducted by the provisional government immediately after the Romanov dynasty's overthrow, and he gave it to the playwright and historian Edvard Radzinsky. It contained the often intimate testimony of grand dames, court officials, monks, and fellow mystics, not to mention police. From this and other recently discovered documentation, Radzinsky retells the endlessly fascinating story of Rasputin's rise to power, his special hold over Nicholas and Alexandra, and his brutal demise. More than a well-retold tale enhanced by a dramatist's sense of character and tension, Radzinsky's account adds valuable new detail and makes Rasputin a far less unfathomable, although no less excessive, figure. Rarely is an artist given a canvas like this, and Radzinsky makes the most of it.

Vaclav Havel: A Political Tragedy in Six Acts. BY JOHN KEANE. New York: Basic Books, 2000, 532 pp. $27.50.

To see Havel as a tragic figure, notwithstanding his recent physical misery and the sadness of Czechoslovakia's "velvet divorce," requires poetic license. That is what Keane liberally permits himself throughout this combination of philosophical essay and biography. The trivial (or at least predictable) part of the tragedy is that, in Adam Michnik's words, "the charismatic leader becomes a caricature of himself" under the burdens of office. The larger and more involved argument features Havel's life as the heroic yet ultimately broken object of political power—power abused by others, power as a beckoning quest, and power as a cross. This is an engaged biography that is not so much for or against the protagonist (although Keane is for Havel) than subordinate to philosophical speculations. Even so, it contains much interesting biographical detail.

Trapped in the Cold War: The Ordeal of an American Family. BY HERMANN H. FIELD AND KATE FIELD. Stanford: Stanford University Press, 2000, 451 pp. $45.00.

Of the vast number of books from the gulag, this one hits home with special force—not just because it is written with an elegant clarity and modesty that belies deep thoughtfulness. When Hermann Field disappeared into Poland's terror machine in August 1949, he was as American as the next person and the newly named head of an architectural school in Cleveland. True, he was also the brother of Noel Field—a communist sympathizer who had apparently served Soviet intelligence before being kidnapped and secretly handed over to the Hungarian secret police. The reason for their arrests does not matter. The absurdity of their fate serves merely as an essential counterpoint to the inquisitors' depraved but ritualized games. In turn, the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NEW FROM CAMBRIDGE

Contesting Global Governance

Multilateral Economic Institutions and Global Social Movements

Robert O'Brien, Anne Marie Goetz, Jan Aart Scholte, *and* ***Marc Williams***

The contest to shape global governance is increasingly being conducted on a number of levels and among a diverse set of actors. This book argues that increasing engagement between international institutions and sectors of civil society is producing a new form of international organization. The authors study the relationship between the IMF, World Bank, and World Trade Organisation, and environmental, labor, and women's movements, providing a rich analysis of the institutional response to social movement pressure.

Cambridge Studies in International Relations 71

0-521-77315-6	Hardback	$54.95
0-521-77440-3	Paperback	$19.95

Greening the Firm

The Politics of Corporate Environmentalism

Aseem Prakash

Over the past two decades environmental issues have become important in public and business policy. This book asks why firms sometimes voluntarily adopt environmental policies that go beyond legal requirements. Prakash argues that existing explanations, especially from neoclassical economics, concentrate on external factors at the expense of internal dynamics. His argument is supported by analysis of two firms, Baxter International Inc. and Eli Lilly and Company, including interviews with managers, and access to meetings and documents. The book will be of interest to students of business and environmental studies, as well as political economy and public policy.

0-521-66249-4	Hardback	$54.95
0-521-66487-X	Paperback	$19.95

Available in bookstores or from CAMBRIDGE UNIVERSITY PRESS

40 West 20th Street, New York, NY 10011-4211
Call toll-free 800-872-7423 Web site: www.cup.org
AmEx/MasterCard/VISA accepted. Prices subject to change.

Bundeskanzler Scholarships for Germany, 2001-'02

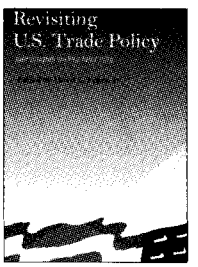
Prospective U.S. leaders in academia, government, public service or the private sector spend one year in Germany for study, research, or professional activity. Individuals pursue a carefully defined project at a German university, research facility or other appropriate institution. Scholarship includes a two-week study tour of the Federal Republic of Germany.

B.A. required. Command of German is NOT a prerequisite.
Must be U.S. citizen under 35 years of age at start of award.
Applications due October 31, 2000.

www.humboldt-foundation.de

avh@bellatlantic.net

New from Ohio

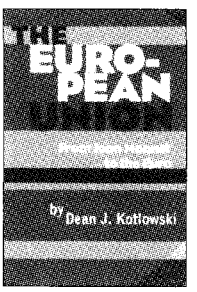


Revisiting U.S. Trade Policy

Decisions in Perspective

Edited by Alfred E. Eckes, Jr.

A candid look back by the people who made the policies.
224 pages, notes, index.
Cloth $35.00



The European Union

From Jean Monnet to the Euro

Edited by Dean J. Kotlowski with intro. by Joan Hoff and Richard K. Vedder

Essays assess Monnet's post-WWII vision from a 1999 perspective.
200 pages, notes, index.
Cloth $22.95

Available at your local bookstore or call 740/593-1158.

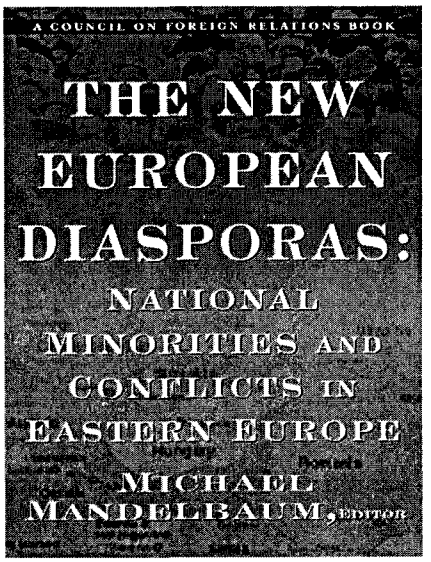
Ohio *www.ohiou.edu/oupress*
Ohio University Press • Swallow Press
Scott Quadrangle • Athens, Ohio 45701

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

New publication from

COUNCIL ON FOREIGN RELATIONS

www.cfr.org


A COUNCIL ON FOREIGN RELATIONS BOOK
THE NEW EUROPEAN DIASPORAS:
NATIONAL MINORITIES AND CONFLICTS IN EASTERN EUROPE
MICHAEL MANDELBAUM, EDITOR

The New European Diasporas

National Minorities and Conflicts in Eastern Europe

Michael Mandelbaum, editor

The European upheavals of the twentieth century have left in their wake many national minorities in eastern Europe. These "new diasporas" have been created by the movement not of people but of borders. This book focuses on the politics of these European diasporas: the Hungarians in Germany, the Russians in eastern Europe, the Serbs following the breakup of Yugoslavia, and the Albanian plight in Kosovo and Macedonia.

087609-257-1 / March 2000 / paper, 250 pp / $19.95

To order call 1-800-275-1447 or visit our website.

GLOBAL TRADE ISSUES IN THE NEW MILLENNIUM

A Symposium Hosted by
The George Washington International Law Review

Join **Dr. Supachai Panitchpakdi**, the incoming director-general of the WTO, and other prominent scholars as they discuss the future of international trade.

SEPTEMBER 21-23, 2000
The George Washington University Law School
Washington, D.C.

For further information on this event, please contact:

Mariya Talib, Symposium Editor
The George Washington International Law Review
Tel: (202) 676-3844
Fax: (202) 676-3876
E-mail: mtalib@gwu.edu

www.law.gwu.edu/ILRtrade

The George Washington University
WASHINGTON DC

COUNCIL ON FOREIGN RELATIONS

Full text of recent papers now available at www.cfr.org.

- China, Nuclear Weapons, and Arms Control, by Robert Manning, Ronald Montaperto, and Brad Roberts
- The United States, China, and Japan, *by Neil Silver*
- First Steps Toward a Constructive U.S. Policy In Colombia, *by Sen. Bob Graham and Brent Scowcroft*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

games of resistance played by Field and his extraordinary cellmate over five years of internment give the book its special power.

When Nationalism Began to Hate. BY BRIAN PORTER. New York: Oxford University Press, 2000, 307 pp. $45.00.
A young historian retraces the phases of nineteenth-century Polish nationalism as it emigrated from the democratic, broad-minded ideals of the French Revolution early in the century to antisemitic authoritarianism by the century's end. As Porter argues, intellectuals on the right became increasingly convinced that history would betray them unless they directed its course. As they struggled to come to terms with socioeconomic forces awakening the masses and rebelled against increased Russian cultural oppression in the wake of the 1863 revolution, they let slip their original democratic commitments and sought enemies in their drive toward national consciousness and social solidarity. But since out of the same earlier tradition a liberal, tolerant, and socialist version of nationalism evolved, the author admits that he cannot pin down the exact "causes" of this fork in the road. But by providing this rich intellectual history, he has usefully weighed in on the study of nationalism lately dominated by political scientists.

Political and Legal

G. JOHN IKENBERRY

Disaffected Democracies: What's Troubling the Trilateral Countries? EDITED BY SUSAN J. PHARR AND ROBERT D. PUTNAM. Princeton: Princeton University Press, 2000, 360 pp. $65.00.
The Trilateral Commission famously warned 25 years ago that slow growth, rising inflation, social decay, and bloated government were putting democratic institutions in the industrialized world at risk. In this important new study, leading scholars revisit the issue and discover disturbing trends. Happily, this time there is no evidence of declining support for democracy. But the authors do discern a gradual waning of public confidence in political leaders, parties, and institutions. Pharr and Putnam argue that this dissatisfaction stems from disappointment in politics and government performance rather than economic malaise or the Cold War's end. But as Pharr points out, the Japanese people's declining confidence in government could in fact galvanize reform of democratic institutions. These chapters are complemented by empirically rich accounts by European, Japanese, and American specialists that discuss changing public attitudes toward government and their national variations. For instance, Peter Katzenstein argues that small European states, with their generous social welfare programs and inclusive political regimes, have lost the least amount of public confidence. The picture that emerges is of an advanced industrial world in transition. But the destination—whether dangerously dysfunctional polities or renewed political participation—is still unknown.

The Globalization Syndrome: Transformation and Resistance. BY JAMES H. MITTELMAN. Princeton: Princeton University Press, 2000, 272 pp. $49.50 (paper, $17.95).
A view of globalization from the perspective of those most threatened by it. Mittelman

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

is interested in how marginalized groups in the developing world encounter—and sometimes resist—globalized capitalism. Drawing on extensive field research, the book explores globalization's impact on countries such as Malaysia, the Philippines, Vietnam, Botswana, and Mozambique. Although globalization's champions see the integration of world markets as lifting up all countries, Middleman's picture is more mixed. In his view, global gains in productivity, living standards, education, and civic participation are offset by a growing loss of political control by the world's poorest citizens. The book's most interesting chapters address the ways threatened social groups resist the insecurities wrought by global markets. Farmers' associations, environmental groups, and other political movements across Southeast Asia and Africa provide glimmerings of what Mittelman considers a growing pattern of local resistance. But his book would be stronger if he made clear what these scattered movements mean for the larger world order.

After Authority: War, Peace, and Global Politics in the 21st Century. BY RONNIE D. LIPSCHUTZ. Albany: SUNY Press, 2000, 221 pp. $59.50 (paper, $19.95).

The historian Charles Tilly once famously observed that war made the state. But as war becomes increasingly unthinkable in the post–Cold War age, what will become of the state? In this extended essay on radical changes in the state's global role, Lipschutz argues that state authority and sovereignty were tightly linked to the geopolitical struggles of the last century. The Cold War further reinforced this authority as leaders exploited appeals to "national security" as their political trump card. But the rise of Cold War partnerships ironically created the conditions for globalization—the very movement undermining the state today. For Lipschutz, traditional threats have not disappeared; they have just become more diffuse. This transformation of the security problem complicates governments' ability to protect their citizens and exposes the basic structures of state and society for all to see. Although vague in his forecasts, Lipschutz is correct that the Cold War's end will profoundly affect the national security underpinnings of Western governments.

Empire. BY MICHAEL HARDT AND ANTONIO NEGRI. Cambridge: Harvard University Press, 2000, 512 pp. $35.00.

A sweeping neo-Marxist vision of the coming world order. The authors argue that globalization is not eroding sovereignty but transforming it into a system of diffuse national and supranational institutions—in other words, a new "empire." Whereas European imperialism was built on notions of national sovereignty and geographic cohesion, this empire has no political center or territorial limits. Nor is the new order simply a creation of American hegemony. Rather, power resides in the rules and logic of the global order itself, which in turn is rooted in the transforming capitalist system of production. The new empire has a great capacity for "oppression and destruction," but its power stems from the unrelenting logic of global capitalism more than from individual states or leaders. The most interesting chapter assesses the rise of supranational juridical order and the merging of domestic and international law. Yet in their search for a political agenda that might allow the weak to resist the empire, the authors

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

never make clear what this resistance would mean—because their vision of the global order encompasses all of modern life.

Myths and Memories of the Nation. BY ANTHONY D. SMITH. New York: Oxford University Press, 2000, 296 pp. $65.00 (paper, $24.95).

A useful guide to an unfinished debate. Smith argues that nationalism has become the most ubiquitous and enduring force in the modern world and is likely to remain so. He also defends his particular view of nationalism against its rivals. For Smith, nationalism is neither a primordial force that occasionally erupts out of the ground nor an invented tradition designed by elites to weather modernization. Rather, it is a mix of ethnic identities, cultural bonds, and histories that gives shape to national communities. Nationalism draws its staying power from the rediscovery and reinterpretation of cultural myths and symbols by modern elites; its ideological uses have further reinforced its power and durability. Smith's argument is backed up by discussions of the diaspora nationalisms of Greeks, Jews, and Armenians, along with an analysis of the supranational ambitions of the European Union. In Europe's case, modern citizens are capable of multiple identities, so there is no inherent conflict between national and European loyalties. But without the emergence of a stronger overarching political identity, Smith warns, the European project will rest on shaky ground.

Civil Wars and Foreign Powers: Outside Intervention in Intrastate Conflict. BY PATRICK M. REGAN. Ann Arbor: University of Michigan Press, 2000, 224 pp. $39.50.

Intervention in civil conflicts is one of the most vexing decisions facing modern great powers—Bosnia, Kosovo, Somalia, and Haiti being merely the most recent examples. This useful book surveys the policymaking choices and the conditions that affect success or failure. Whereas in earlier decades the Cold War struggle justified intervention, the scale of social dislocation and humanitarian suffering drives policy today. By Regan's count, there have been 138 intrastate wars since the end of World War II, and outside parties have intervened in roughly two-thirds of them. The United States alone has been involved in 35. The book's statistical findings are not earthshaking: in only about 30 percent of the cases did outside action help settle the war, and intervention on behalf of the government has been more successful than that on behalf of the opposition. More interesting is Regan's finding that civil conflicts have actually diminished since the end of the Cold War. And he concludes that if states intervene multilaterally under U.N. auspices, success is most likely when the peacekeeping force is neutral and invited in by both parties.

Economic, Social, and Environmental

RICHARD N. COOPER

Irrational Exuberance. BY ROBERT J. SHILLER. Princeton: Princeton University Press, 2000, 296 pp. $27.95.

A Yale economist, Shiller has provided an accessible guide to the usually impenetrable literature on financial markets, especially

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the American stock market. He finds that its performance deviates markedly from the "rational" behavior usually postulated in economics textbooks. Drawing on psychology, he underscores the fact that investors—and, more shockingly, the analysts who advise them—do not provide independent judgments on investments. The result is a herd behavior that leads to market volatility far worse than the result of slowly changing fundamentals. Concluding the book in late 1999, Shiller finds the U.S. stock market (and several foreign ones as well) greatly overvalued by any plausible historical or analytical standard. He also sketches the implications of a major stock market crash, such as the effects on private pensions and endowments. Skeptical of proposals to limit or interfere with financial markets, he urges instead the development of new but unconventional financial markets based on the performance of entire economies or even professions—so that individuals could diversify their portfolios and financially hedge their choice of professional career.

China's Futures: Scenarios for the World's Fastest Growing Economy, Ecology, and Society. BY JAMES A. OGILVY AND PETER SCHWARTZ, WITH JOE FLOWER. San Francisco: Jossey-Bass, 2000, 159 pp. $30.00.

Ogilvy and Schwartz founded a firm in the 1980s to help businesses plan long-term strategies in an uncertain, rapidly changing world. In this short, breezy, and thought-provoking book, they now imagine China in 2022. Rather than offering one forecast, they describe three possible scenarios, each of which depicts a radically different evolution. The first foresees a widely prosperous, thriving, and increasingly democratic China. The second predicts that China will be economically successful but dominated by around 50 extended families with international connections and threatened by regional factions, perhaps even courting civil war. A third sees corruption and inefficient distribution becoming so pervasive that a popular general seizes political control after regaining oil-rich territory in Russia's Far East—and proceeds to restore order, reduce crime, and reestablish a tough, authoritarian state. The authors urge Western firms to test their business plans against all three scenarios, since in their view none can be ruled out.

Global Finance at Risk: The Case for International Regulation. BY JOHN EATWELL AND LANCE TAYLOR. New York: New Press, 2000, 258 pp. $22.95.

A tightly argued, informative review of recent financial developments that also offers a conceptual framework for drawing lessons from them. The relentless logic of financial globalization, according to the authors, will lead to the internationalization of financial regulation and the creation of a global lender of last resort. Financial markets are intrinsically fragile, since the key actors base their decisions on guesses about how other investors will behave. As a result, the globalization of financial markets has produced in many countries a cautious monetary policy that introduces deflation, depresses economic growth, and imposes unnecessary costs when crises occur. The U.S. economy stands out as an apparent exception—but remains vulnerable (in the authors' view) due to its large current-account deficit and an assumed unwillingness of foreigners to buy U.S. securities based on consumer

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

debt. Useful progress has been made in building an international framework for official cooperation, but any recent improvements are likely to be overwhelmed by the next crisis. The authors therefore propose a World Financial Authority, based on recent developments in the Bank for International Settlements, through which central banks could pool information and reach consensus. This and other suggestions make this concise book forward-looking and controversial.

Something New Under the Sun: An Environmental History of the Twentieth-Century World. BY J.R. MCNEILL. New York: W. W. Norton, 2000, 421 pp. $29.95.

The last century was truly prodigal. Total population quadrupled, while urban population increased by a factor of 13, world output by 14, energy use by 16, and industrial production by 40. All this activity generated a tremendous amount of waste, including agricultural residue, mine tailings, and emissions into the atmosphere, rivers, lakes, and seas. Wetlands have been drained or filled and highways and cities built. For the first time, humankind is influencing ecology on a global scale. McNeill catalogues the impact of all this activity, from Algeria to Zimbabwe, and finds the results are not all bad. For example, the automobile replaced the horse, which required more land to feed and whose waste products and carcasses were sources of urban stench and disease. Public attitudes changed in the 1950s and 1960s as cities such as London, Pittsburgh, and Osaka grew so polluted that they became almost unlivable. Major selective cleanups have proceeded even as global waste has grown in volume and cities and rivers have deteriorated. An informative, dispassionate treatment that recounts the last century's environmental history with admirable impartiality.

Without a Map: Political Tactics and Economic Reform in Russia. BY ANDREI SHLEIFER AND DANIEL TREISMAN. Cambridge: MIT Press, 2000, 223 pp. $25.95.

However desirable economic reforms may be, they usually leave some groups worse off—especially those who benefited from the old regime. This book, a fruitful collaboration between a Harvard economist and a UCLA political scientist, examines economic reform in Russia during the 1990s by looking at the reformers' political success in either coopting or isolating important sources of opposition. They find that the reformers achieved more than they are usually credited with but had to make some unsavory compromises to dislodge groups hostile to reform. The reformers curbed inflation and privatized much of public-sector enterprise but failed to overhaul the tax system—a failure that indirectly contributed to the 1998 financial crisis. Opposition to tax reform came from groups that had been coopted earlier, notably a coalition of provincial governors and large enterprises. The authors, both of whom had first-hand experience in Russian reform, provide informed and detailed support for their interpretation of events in one of the most dramatic social experiments of the 1990s: the transformation of a decaying, centralized authoritarian regime into a market-oriented democracy.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Military, Scientific, and Technological

ELIOT A. COHEN

Crucible of War: The Seven Years' War and the Fate of Empire in British North America, 1754–1766. BY FRED ANDERSON. New York: Alfred A. Knopf, 2000, 862 pp. $40.00.

This fascinating account of the war that paved the way for American independence and the transformation of the British Empire is all the more remarkable given its competition. The Seven Years' War (or the French and Indian War) has already attracted the attention of great historians such as Francis Parkman and Lawrence Henry Gipson. Now Anderson has produced a work that is in some respects superior to theirs—and not only by virtue of its access to the most recent scholarship. His subtle and engrossing narrative deals with two strategic issues of enduring interest: the interaction of mutually miscomprehending military cultures (American, British, French, Canadian, and Indian), and the way in which the exercise of force has profound consequences beyond the foresight of political leaders and generals. His ability to empathize with his characters, while neither romanticizing them nor magnifying their significance, is one of this exceptional work's many virtues. As with any great historical work, this book is not a mere chronicle but a study in statecraft.

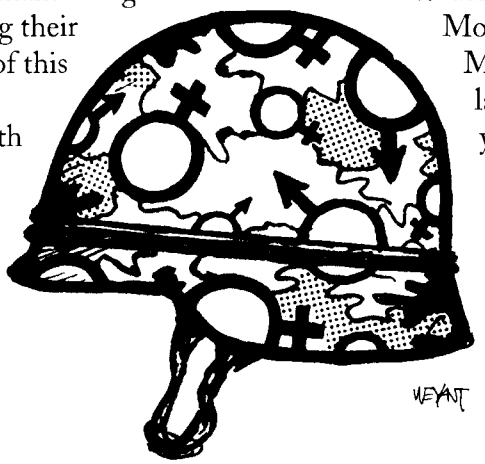


Photo Fakery: The History and Techniques of Photographic Deception and Manipulation. BY DINO A. BRUGIONI. Washington: Brassey's, 1999, 227 pp. $29.95.

Photographs constitute a major source of information about international affairs. This fascinating book, written by one of the founders of the CIA's National Photographic Interpretation Center, is a primer on how purveyors of that information manipulate or falsify it. Brugioni also unveils some of the techniques for detecting photo fraud, using a rich array of examples from the Cold War. In fact, this amply illustrated and amusing book's implications are rather somber: the advent of increasingly sophisticated and inexpensive computer tools for photo fakery means that even the experts will find themselves fooled.

The Kinder, Gentler Military: Can America's Gender-Neutral Fighting Force Still Win Wars? BY STEPHANIE GUTMANN. New York: Scribner, 2000, 283 pp. $25.00.

The author's answer is, probably not. A journalist who (as she confesses) had little contact with the military growing up, Gutmann is alarmed by what she believes gender integration has done to the military. She sees the Navy, for example, as a "feminized, specifically as a nurturing-to-the-point-of-infantilizing Mommy—a smothering Mommy who corrects your language, who takes away your booze, who slaps you if you gawk at a woman or tell a dirty joke." Gutmann prefers pointed anecdotes over statistics, and many female service

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

personnel will no doubt view her as a gender-traitor. But in truth, she has captured some of the uncomfortable realities of how the military has been transformed by its integration of women and its efforts to make them comfortable in its ranks. Whether the payoff—tapping the talents of half the population and promoting social peace in an increasingly egalitarian society—is worth it remains the larger question. A book not to be ignored, even by those who find its argument infuriating.

Sidewinder: Creative Missile Development at China Lake. BY RON WESTRUM. Annapolis: Naval Institute Press, 1999, 331 pp. $32.95.

A short, well-written, and authoritative account of the development of the Sidewinder heat-seeking missile that changed the traditional duel of guns into an exchange of guided weapons. Led by William McLean, a quiet, bow-tied engineer who served as the technical director of the Naval Ordnance Test Station, the Sidewinder's developers at the Navy's China Lake lab in the 1950s were an unusual group. Indeed, *Sidewinder* is most interesting in its depiction of the human community that created the missile. Westrum also sketches a brief but depressing account of how creeping bureaucratization killed the innovative spirit that forged the weapon. Sadly, after so many upgrades, modifications, and development, the Sidewinder may no longer be the world's best.

Winning Ugly: NATO's War to Save Kosovo. BY IVO H. DAALDER AND MICHAEL E. O'HANLON. Washington: Brookings Institution Press, 2000, 224 pp. $24.95 (paper).

As instant books go, this one is rather good. Daalder and O'Hanlon, both fellows at the Brookings Institution, speak less from the heart than from the head. To its credit, the book is heavily footnoted and conventional, in the nonpejorative sense of the term: it analyzes diplomatic gambits, organizational structures, event chronologies, and military plans. The authors draw heavily on the staggering array of public material about a war conducted in the brilliant illumination of the information age. Even so, some questions remain open—including precisely why Slobodan Milošević gave up. This work will no doubt require revision or replacement in a few years after an inevitable flood of memoirs and more revelations of official secrets. But for the interim, it is remarkably reliable and successfully meets the objectives that the authors have set for themselves.

Toxic Terror: Assessing Terrorist Use of Chemical and Biological Weapons. EDITED BY JONATHAN B. TUCKER. Cambridge: MIT Press, 2000, 303 pp. $20.00 (paper).

This solid volume, produced by an editor at the Monterey Institute of International Studies and the staff of Harvard's Belfer Center for Science and International Affairs, takes an unusual approach. It focuses on what terrorists have actually done with weapons of mass destruction, rather than what they might do. The authors conclude that these efforts have actually achieved rather little, all things considered. That proves nothing about the future, but it is worth asking (as the editor does, in a concluding essay) why that has indeed been the case.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Lifting the Fog of War. BY WILLIAM A. OWENS WITH ED OFFLEY. New York: Farrar, Straus & Giroux, 2000, 256 pp. $25.00.

For traditionalists, military historians, and the poor, bloody infantry of all ages, the "fog of war" refers to the atmosphere of uncertainty, hazard, and blundering that has always characterized war and always will. Owens makes clear that he believes otherwise. As vice chairman of the Joint Chiefs of Staff, he made his reputation by vigorously opposing service prerogatives and advocating the "revolution in military affairs"—which he defined as a harmonious integration of technologies that can locate and identify friendly and enemy forces in any 40,000 square mile area, coordinate military activity against various targets, and fire precisely on them. This book is part bureaucratic memoir and part restatement (in bullet format) of his views, and Owens is intentionally provocative in both his choice of title and his predictions. He writes not as an evaluator of an unfolding phenomenon but as a prophet who articulates a Truth and heaps derision on unbelievers. Some will consider Owens' vision inspired; others will call it mere hubris. The jury is still out.

Taiwan Security Research. http://taiwansecurity.org

Maintained by Philip Yang of Taiwan National University, this site is an excellent source for news and information on Taiwanese and Chinese security issues. The page eschews Web junk—there is a refreshing absence of spinning tanks, dancing airplanes, and morphing flags—and concentrates instead on a serious subject. Its strengths include substantial sections on the People's Liberation Army as well as generous material on Taiwan. This site is likely to become an increasingly important resource, given the unlikelihood of tranquility in that part of the world any time soon.

The United States

PHILIP ZELIKOW

The Global Infectious Disease Threat and Its Implications for the United States. BY THE U.S. NATIONAL INTELLIGENCE COUNCIL. 60 pp. Free of charge from the CIA.

This new report sets a precedent: a National Intelligence Estimate (NIE) published without security classification and open to the public. This NIE discusses global disease—an unusual subject for the national security bureaucracy—and offers an eye-opening analysis of the plagues sweeping through much of the developing world. It is also timely in light of the Clinton administration's recent announcement that it will treat global disease, AIDS in particular, as a threat to American national security. How frightening is this menace? Some countries in Africa, and possibly later in Asia, may see these diseases reduce life expectancy "by as much as 30 years and kill as many as a quarter of their populations over a decade or less, producing a huge orphan cohort" and all the accompanying upheaval. The analysis is fascinating, and the case for international humanitarian action is compelling. But why invoke the "national security" justification for intervention? The case for direct effects on U.S. security is thin. Do the officials have so little faith in the altruism of their fellow citizens?

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In the Shadow of the Garrison State: America's Anti-Statism and Its Cold War Grand Strategy. BY AARON L. FRIEDBERG. Princeton: Princeton University Press, 2000, 351 pp. $69.50 (paper, $22.00).

After World War II, Washington invented a uniquely American national security state to wage the Cold War. In this brilliant and important book, Friedberg takes on the fundamental choices behind this move: the scale of government spending, the way government conscripted manpower, the character of industrial mobilization, the process of buying arms, and the spurs for technological innovation. In each area, the United States chose less government control and central guidance than its major enemies (and the precedents of past wars) would have suggested. By chosing "less" in each of these areas, the United States thereby achieved more. But unlike Michael Hogan's *A Cross of Iron,* Friedberg does not quite recapture the fierce debates that produced these choices. Nor does he describe how private industrial organizations sometimes reconceived national defense policy, as Donald Mackenzie does in his account of Draper Labs and nuclear missile guidance. Instead, Friedberg chooses breadth, sensing the common theme. The result is an excellent complement to traditional surveys of Cold War history and calls attention to America's special path of political development.

Getting to Dayton: The Making of America's Bosnia Policy. BY IVO H. DAALDER. Washington: Brookings Institution Press, 2000, 204 pp. $39.95 (paper, $16.95).

The year of decision in Bosnia was 1995. First the Bosnian Serbs made the bid for victory that culminated with the July massacres in the Srebrenica and Zepa "safe havens" supposedly protected by the United Nations. Then the Bosnian Serbs were defeated by successful Croatian and Bosnian-Muslim offensives, which were helped by the air strikes of the now-roused NATO alliance. Daalder takes on the Washington policy story, relying on secondary sources and interviews with officials (who are named in the preface but not in the citations). His analysis of the horrendous phase up to Srebrenica's collapse is disjointed and incomplete, but the narrative becomes more tightly written and better argued as it tackles the post-Srebrenica phase, from mid-July to September, leading up to Dayton. In this account, National Security Adviser Anthony Lake is the hero who—helped by fellow staffer Alexander Vershbow—beat back the passive options of the State and Defense departments to craft a more robust approach for their frustrated president. Daalder contends that Richard Holbrooke "played no part in the development of the policy" but acknowledges that Lake did reluctantly allow Holbrooke to implement the new strategy—a job Holbrooke performed with great skill.

"The War for Kosovo: Serbia's Political-Military Strategy." BY BARRY POSEN. *International Security,* Vol. 24, No. 4 (Spring 2000). 45 pp. $12.00.

Posen has sifted through publicly available material to analyze Milošević through a model of rational action, although Milošević might be considered an example of rather "bounded rationality" (in academic jargon). Posen thinks the Serb leader might feel satisfied. The

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

postwar deal allowed only interim control of Kosovo by the United Nations rather than the more extensive NATO control envisioned in the alliance's prewar Rambouillet ultimatum. Therefore Milošević's friends on the U.N. Security Council (like the Russians and the Chinese) will have veto power over the final outcome. Rambouillet's dictation of an interim political settlement has been put aside, along with its planned referendum on Kosovar independence. In short, Milošević has conceded nothing on the ultimate political fate of Kosovo. His military forces rode out the NATO strikes reasonably well. He even had a decent chance of outlasting the bombing had his forces in Kosovo not stiffened NATO resolve by being so bestial toward the Albanians. Posen's article is not really an account of Serbian behavior, though. It is a set of hypotheses provoking questions about U.S. and NATO policies—especially about the Rambouillet diplomacy, the war planning, and the endgame.

The Selling of "Free Trade": NAFTA, Washington, and the Subversion of American Democracy. BY JOHN R. MACARTHUR. New York: Hill and Wang, 2000, 388 pp. $25.00.

Interpreting NAFTA: The Science and Art of Political Analysis. BY FREDERICK W. MAYER. New York: Columbia University Press, 1998, 374 pp. $47.50 (paper, $17.50).

These are the two major accounts on how NAFTA was agreed to by President Bush, endorsed by President Clinton with modest qualifications, and then approved by Congress. MacArthur is an outraged opponent. Mayer is a supporter who worked with (then) Senator Bill Bradley. MacArthur tells a story of how working people were conned by wealthy elites and their hired salespeople in and out of government. Mayer sees an interesting case for political science—a kind of *Essence of Decision* that explains political-economic behavior rather than political-military actions. But in contrast to *Essence,* Mayer is less interested in organizational behavior and bureaucratic policies. He concentrates instead on how constructivist theory explains the way NAFTA was framed as a symbol to both sides and attending more to the role of domestic interest groups. MacArthur cares about the people—not only the workers at the Swingline factory closed in New York or the poor inhabitants of *colonias* in Mexico, but also Washingtonians, who attract his fascinated loathing. Special scorn is reserved for Bill Clinton and Al Gore. But even if MacArthur's premises are right, he does not show that NAFTA was such an undemocratic result. The agreement had formidable political allies like Dan Rostenkowski and Bill Daley, whereas the opponents had to lean on Richard Gephardt and Ross Perot. NAFTA in particular and free trade in general enjoy some broad public support. MacArthur does offer one amusing anecdote, though. In his famous 1993 debate with Ross Perot, Gore cited a textile manufacturer, Norm Cohen, who had said he would move his plant from Mexico back to the United States if NAFTA passed. MacArthur discovered that Cohen did not end up moving the plant. He had not even owned the firm, having sold it years earlier to a company in Japan.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Western Europe

STANLEY HOFFMANN

The Politics of Retribution in Europe: World War II and Its Aftermath. EDITED BY ISTVAN DEAK, JAN T. GROSS, AND TONY JUDT. Princeton: Princeton University Press, 2000, 326 pp. $65.00 (paper, $19.95).

Under the Shadow of the Swastika: The Moral Dilemmas of Resistance and Collaboration in Hitler's Europe. BY RAB BENNETT. New York: New York University Press, 1999, 318 pp. $40.00.

Two books that take very different approaches in looking at collaboration and resistance in Europe under the Nazis. The first volume examines the experiences in both eastern and western Europe, underscoring that the goal of retribution invariably collided with other objectives such as restoring social order or settling political accounts. Practically nowhere was the public record deemed fair and satisfactory. In a provocative epilogue, Tony Judt accuses the Europeans of promoting myths (e.g., that "Nazism was a strictly German phenomenon" or that Vichy was a mere "aberration in the national history") as a way of repressing their ugly past in the drive toward integration. Although many of these fictions have unraveled in recent years, Judt believes that the new Europe remains in denial about its history—especially the communist experience in eastern Europe. Above all, this volume shows that the debate between historians who seek the truth and politicians who promote national myths will not fade soon.

In contrast, Bennett probes the ethical aspects of collaboration and resistance in a daring effort at moral philosophy. He asks whether it was legitimate to resist Nazi terror if one knew that reprisals against innocent civilians would follow. Reviewing an impressive and depressing number of cases, many from the Jewish resistance, Bennett acknowledges how limited resistance would have been had it scrupulously avoided harming civilians. Nevertheless, he vigorously condemns much of the resistance activity—one case in point being the assassination of Heinrich Himmler's deputy in Prague, Reinhard Heydrich, which was followed by the Nazi extermination of the Czech town of Lidice. Concluding that "the worst damage that the Nazis inflicted was to make their enemies resemble them," Bennett is sure to draw criticism from Nazi-era survivors. After all, the Nazis, not the resistance, committed the atrocities. Yet such moral issues require the very kind of candid and courageous discussion shown here.

The Collaborator: The Trial and Execution of Robert Brasillach. BY ALICE KAPLAN. Chicago: University of Chicago Press, 2000, 287 pp. $25.00.

Kaplan has reexamined the story of the 1945 trial and execution of one of the most famous French fascist writers, Robert Brasillach. A mediocre novelist but talented critic, Brasillach was an enthusiastic advocate of fascism and a hyperbolic antisemite. Although his collaborationist zeal was cooling by 1944, he had produced a damning record of exhortations and denunciations. A French literature professor, Kaplan examines with empathy and subtlety the personalities of the prosecutor—who, like most French magistrates, had served the Vichy regime—and Brasillach's flamboyant lawyer. She

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

also dispels various myths about the jury's political leanings, showing that only one of its members was a communist. Touching on the criticisms of the French purge, she acknowledges that retribution was tougher on writers and journalists than on civil servants or entrepreneurs—but she also shows that functionaries were not kept immune from sanctions. Ultimately, as Brasillach himself recognized, the trial was about the responsibility of a writer for his "fighting words"—words that could move people to fateful acts and fierce crimes.

The Expectation of Justice: France 1944–46. BY MEGAN KOREMAN. Durham: Duke University Press, 1999, 340 pp. $54.95 (paper, $18.95).

A splendid contribution to the literature on post-Liberation France. Using the story of three provincial towns, Koreman illuminates life and politics after the murderous divisions of the occupation, dissecting the ways communities defined legal and moral respectability and apportioned honor among the living and the dead. She also vividly documents the disillusionment that settled on the French, who were upset by the series of purge trials followed by seemingly incomprehensible pardons. It was a time of cruel restrictions and considerable anguish over the fate of war prisoners and deportees; the fiasco of the government's food policy and the bitter conflicts over the war's commemoration only made things worse. The government, Koreman suggests, was too distant from local concerns, failing "to understand that ... the trappings of republican legitimacy took a secondary place to the implementation of justice for the people in small towns." In this way, the Fourth Republic began its short life divided between bitter collaborationists who found the purges too harsh and resistance fighters who found justice too piecemeal and slow.

Scenes From the End: The Last Days of World War II in Europe. BY FRANK E. MANUEL. South Royalton: Steerforth Press, 2000, 135 pp. $20.00.

Before Manuel became a brilliant historian of utopian thought, he was an American intelligence officer in charge of interrogating German war prisoners during "the endgame of the Third Reich." Based on notes from the time and letters to his wife, this memoir may (as the author admits) "blur the line between invention and recollection, fantasy and memory." But it nonetheless rings true, and it sparkles. This is a superb feat of hyperrealism by a biting, resourceful writer. Manuel tells of the defeated German officers' behavior—their special pleading and attempts at denying responsibility for Nazi crimes—and offers priceless vignettes about Marshal Kesselring and Admiral Miklos Horthy. His picture of returning slave workers and Jewish survivors and stories of German scientists eager to emigrate to the United States give the reader a vivid sense of Germany's atmosphere immediately after its defeat. The 55 years that have passed since those events have neither dulled nor weakened the mind and pen of a man who was only 34 at the time.

The Furies: Violence and Terror in the French and Russian Revolutions. BY ARNO J. MAYER. Princeton: Princeton University Press, 716 pp. $35.00.

This enormous and ambitious work is a reaction against several recent fashionable orthodoxies: an optimistic reading of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

history that predicts a peaceful transition to global capitalism, a conservative reading of the French Revolution that sees it as a forerunner of Bolshevik terror, and a tendency to stress the similarities between communist and fascist versions of totalitarianism. Comparing the French and Russian revolutions, Mayer focuses on how they reflected the struggle between revolutionary ardor and counterrevolutionary resistance, antireligious fervor and religious intransigence. He stresses the contingencies affecting revolutionary terror rather than the ideology or psychology of leaders. And his examination of conceptual signposts such as revolution, violence, vengeance, and terror is a useful contribution to the history of ideas. But he traces mostly the revolutions' main developments—the initial period of terror, the peasant wars, the battles against established religion, the "externalization" of the French Revolution by Napoleon, and the "internalization" of the Russian one by Stalin. The last is presented as a result of the West's quarantine on the Soviet Union—first through containment, then through international exclusion. Mayer does not deny that Soviet terror reached monstrous proportions, but he does distinguish it sharply from Hitler's genocidal policies. Stalin, he writes, was reacting against the Soviet regime's perilous situation in the world. Mayer then concludes by rehashing the revisionist view of the Cold War, interpreting Soviet policy as essentially defensive and driven by security concerns, not ideology. And again, he blames the West for feeding Stalin's siege mentality. This thesis, alas, needs more documentation to persuade. Nonetheless, the book's strength lies in its sharp analysis of interacting forces and events, not in its generalizations.

Middle East

L. CARL BROWN

The End of the Peace Process: Oslo and After. BY EDWARD W. SAID. New York: Pantheon, 2000, 345 pp. $27.50.

A collection of Said's writings from May 1995 to early 1999, most of which originally appeared in Arab or European media. Arranged in chronological order, all but one of the 50 pieces are short essays or op-ed pieces. All are eloquent, impassioned, and beautifully written. Often Swiftian in his irony (one piece is titled "Gulliver in the Middle East"), Said targets his usual miscreants: an Israel that keeps watering down its deals for the Palestinians, a United States ever-supportive of Israel while claiming to be an honest broker, and Arafat's despotic, corrupt Palestinian Authority. To Said, the peace process that began at Oslo in 1993 is largely a sham, but he expects it will continue its dubious route given the prevailing balance of power. Those who see this peace process as the best realistic chance for an Israeli-Palestinian peace may dismiss Said for offering no better alternative. But it would be much better to heed his strictures and actively try to improve the fragile, messy movement toward peace.

Taliban: Militant Islam, Oil and Fundamentalism in Central Asia. BY AHMED RASHID. New Haven: Yale University Press, 2000, 274 pp. $27.50.

An excellent study by a journalist who has covered Afghanistan for over 20 years,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

knows all the important Afghan leaders, and reads widely from scholarly works and the media. The book chronicles the Taliban's rise to power from 1994 to 1999 and discusses their provincial social background, ideology, modus operandi, and fierce repression of women; it even includes a chapter on Osama bin Ladin. Rashid illuminates the struggle for control of Afghanistan by great and lesser powers—not just the United States, Russia, Pakistan, and Iran but also Afghanistan's newly independent Central Asian neighbors—and demonstrates how little they have to show for their efforts. Useful appendices chart the age, tribal origin, and education of the Taliban leadership, as well as other useful data. Rashid brings out the decidedly ethnic (Pushtun) basis of the Taliban, their strong antipathy to the Shiites, and their well-organized activity in the heroin trade. And Afghanistan's impoverishment and misery continues.

The Breakdown of the State in Lebanon, 1967–1976. BY FARID EL-KHAZEN. Cambridge: Harvard University Press, 2000, 432 pp. $49.95.

In 1975, Lebanon plunged into a civil war that lasted until 1990. In trying to unearth the war's roots, some scholars have argued that Lebanon's various religious pluralities failed to cohere into a state; others contend that the gap between the haves and have-nots was growing too great. For El-Khazen, however, neither was the case. Lebanon had survived earlier crises, and socioeconomic differences among the different religious communities were diminishing. In fact, he argues, the Arab-Israeli conflict destroyed the state. After the Palestine Liberation Organization was ejected from Jordan in 1970–71, Lebanon was the last available staging area for actions against Israel. Although other Arab governments had banned the PLO from their territories, they were content to have it based in Lebanon. And Israel periodically assaulted Lebanon to force the state to do what it was incapable of doing: stop PLO activities. These cumulative stresses polarized the Lebanese polity, split army and state asunder, and brought on the war. This narrative offers the best description of Middle East diplomacy from the perspective of a single state since Patrick Seale's *The Struggle for Syria.* An implicit theme is that Lebanese communal pluralism in a nonauthoritarian state might just work—as long as outside pressures do not overwhelm it.

Khomeini: Life of the Ayatollah. BY BAQER MOIN. New York: St. Martin's, 2000, 352 pp. $27.95.

This excellent biography illuminates what Khomeini was really like and helps answer how he was able to play such a commanding role in Iran. Moin situates Khomeini within the distinctive world of Islam's clerical class. Here is Khomeini as the diligent seminarian attracted to mysticism, working his way up the religious hierarchy—a family man who married just once and was surrounded by his devoted wife and children. He was so traditional that, during his exile in Turkey, he berated his host's wife for not wearing Islamic dress in her own house. Alongside these many human touches, Moin underscores Khomeini's Manichean mindset and his fanatic zeal for realizing his ideal of Islamic government. All this was matched by a keen political sense for timing and tactics. The secular nationalists, the Islamist moderates, and other

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

eminent ayatollahs lost out to a man who combined the fervor of a Savonarola with the skills of a Lenin.

The Oil Kingdom at 100: Petroleum Policymaking in Saudi Arabia. BY NAWAF E. OBAID. Washington: Washington Institute for Near East Policy, 2000, 136 pp. $19.95 (paper).

A book for readers seeking a succinct statement on Saudi oil policy, its makers, and the institutional arrangements surrounding it. Well-chosen tables and graphs provide ready information on everything from production and proven reserves of major oil producers to changes in quality-of-life indicators (e.g., literacy and population per physician) in Saudi Arabia and other Gulf states. Two short chapters on Saudi foreign policy treat Saudi relations not just with the United States and other major oil importers but with exporters as well. Obaid also assesses the Saudi policy of pumping more oil to force other producers out of the international market, rather than regulating production to ensure price stability. He marshals an informative and reasoned argument that Saudi Arabia actually has a sophisticated, well-organized oil industry and an appropriate oil diplomacy—contrary to what many critics say.

Asia and Pacific

LUCIAN W. PYE

Engaging India: U.S. Strategic Relations with the World's Largest Democracy. EDITED BY GARY K. BERTSCH, SEEMA GAHLAUT, AND ANUPAM SRIVASTAVA. New York: Routledge, 1999, 284 pp. $75.00 (paper, $24.99).

India: A History. BY JOHN KEAY. New York: Atlantic Monthly Press, 2000, 592 pp. $37.50.

These two books arrive in time to help Americans seeking better relations with India in spite of the recent bumps in the road. Written shortly after India's 1998 nuclear tests, *Engaging India* focuses on improving U.S.-Indian relations after the diplomatic fallout. The Indian contributors strive to explain what led New Delhi to test the bomb and argue that this need not prevent closer relations. Their judicious, well-researched arguments conclude that Washington should accept the reality of a nuclear-armed subcontinent and work more closely with the Asian democracies to make certain that China does not destabilize the region.

Keay takes a much longer view in his ambitious history of five millennia of Indian life. Reviving the great Indian narrative tradition, he underscores the extraordinary amount of violence throughout Indian history. For example, the builder of the Taj Mahal, Shah Jahan, became emperor by defeating his father in war, ordering the deaths of his elder brother and several cousins, and then fighting each of his four sons. Keay does not romanticize the British rule of India, and his treatment of postindependence India is limited to a short chapter. Instead, he carefully uncovers India's prehistory—a great challenge given that the ancient Indians left no texts—and skillfully describes the evolving Indian concepts of kingship, statecraft, and military strategy. He even defends the chaotic Mughal succession battles because from "the filial free-for-alls there emerged some of the ablest, most charismatic, and long-lived rulers India has ever known."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Bird in a Cage: Legal Reform in China After Mao. BY STANLEY B. LUBMAN. Stanford: Stanford University Press, 2000, 447 pp. $65.00.

American critics often charge that China has no rule of law. They might reconsider if they read Lubman's book, which brings together a lifetime of research and practice on Chinese law to make it a vibrant and fascinating subject. The author goes back into history to show how Europe and China took divergent approaches in managing conflicts and dispensing justice: where the West adopted formal rules and procedures, China stressed informal practices and culturally determined procedures. Even though the Mao era brought change, China remained closer to its traditions than to any Western legal order. The current reforms have renewed efforts to bring China closer to Western expectations of a legal system, but Chinese practices still remain strange and frustrating to outsiders. This wise and insightful book will be valuable not only for those interested in doing business in China but also for those seeking to understand Chinese civilization.

The Nanjing Massacre in History and Historiography. EDITED BY JOSHUA A. FOGEL. Berkeley: University of California Press, 2000, 264 pp. $40.00 (paper, $15.95).

A debate rages among historians over the casualties of the Nanjing massacre in 1937, in which Japanese troops may have slaughtered up to 300,000 Chinese civilians. But this volume shows that the even bigger story is how the "Rape of Nanjing" shaped the national identities of China and Japan. After World War II, the massacre's commemoration among the Chinese public easily triggered anti-Japanese sentiments. Today Beijing still manipulates the memory at times to shame the Japanese government, but it increasingly holds in check the public passions that might damage economic relations with a rich Japan. Mark Eykholt describes the issue's politicization in China, and Takashi Yoshida illuminates the continuous battle over the massacre in Japan—where some have sought to publicize the horror and force Japan to admit its national guilt while others seek to put the past behind them and regain a "normal" sense of national pride. All the while, Japanese actions are scrutinized by the sensitive Chinese and often made into an international issue—such as the debate over how Japanese textbooks should handle the tragedy.

China and the Vietnam Wars, 1950–1975. BY QIANG ZHAI. Chapel Hill: University of North Carolina Press, 2000, 304 pp. $49.95 (paper, $19.95).

Recently declassified archival material in China has shed much light on China's participation in Vietnam's wars. In this account, Qiang Zhai argues that Chinese support was essential for the victory over the French and quite substantial against the Americans; in the war against the United States, China provided 320,000 support troops, more than 1,000 of whom were killed. Focusing on Beijing's military and diplomatic advice to Hanoi, the author depicts Zhou Enlai as a leading hawk who opposed any Vietnamese negotiations with the Americans, often pushed to escalate the fighting, and tried to sabotage the peace process from 1965 to 1968. Beijing was still pressing Hanoi to keep up the war even as Kissinger and Nixon went to China in 1972. Ironically,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the very successes of the Vietnamese compelled the Chinese to reverse directions when they found that they had a power on their southern flank that was growing closer to China's adversary, the Soviet Union. For their part, the Vietnamese happily accepted China's assistance but resented its attempts to mastermind Indochinese developments.

Broadcasting Politics in Japan: NHK and Television News. BY ELLIS S. KRAUSS. Ithaca: Cornell University Press, 2000, 320 pp. $35.00.

Beginning with the assumption that the two most powerful institutions affecting citizens in industrial democracies are the state and the mass media, Krauss analyzes in rich detail the unique relationship between Japan's public broadcasting network—the NHK—and its political system. Influenced by American ideals of journalistic professionalism and British traditions of state support for objective news, the NHK's neutral reporting unintentionally helped legitimize the postwar democratic Japanese state. Yet the Japanese soon brought their own distinctive twist to reporting by focusing not on the country's leaders but on its bureaucracy. Instead of boring people, such stories interested viewers because the bureaucracy, more than any other institution, impinged so much on daily life. By making the bureaucracy the representative of the state, the NHK rendered politics a faceless, impersonal matter. This book not only advances the West's knowledge about the relationship between journalism and politics in Japan but offers useful lessons about the media that go far beyond the Japanese case.

The Sikhs. BY PATWANT SINGH. New York: Alfred A. Knopf, 2000, 276 pp. $27.50.

Disturbed by rising anti-Sikh sentiment after Indira Gandhi was assassinated by her Sikh bodyguard in 1984, Singh set out to enlighten readers about Sikhs by telling their history. The resulting book argues that Sikhism's opposition to caste divisions and defense of gender equality explain why both Hindus and Muslims have such intense hostility toward the brotherhood. At its outset in the fifteenth century, Sikhism was more compassionate and humane than other religions of the day. Nevertheless, the perpetual need to defend its adherents against foes on all sides turned the Sikhs into a martial community with a warrior culture. Singh also recounts the rise of the Sikh empire in the Punjab in the early nineteenth century and the two subsequent wars against the British. His final plea is for the rest of India to appreciate the Sikhs and welcome their outstanding qualities in the building of a stronger India.

Africa

GAIL M. GERHART

The Mask of Anarchy: The Destruction of Liberia and the Religious Dimension of an African Civil War. BY STEPHEN ELLIS. New York: New York University Press, 1999, 365 pp. $36.50.

The first half of this outstanding study of Liberia's civil war (1989–97) reviews the conflict's political, economic, military, and international features, drawing on a comprehensive array of sources. The second half is a fascinating and profound

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

exploration of what Ellis sees as Liberians' deep spiritual anarchy, manifested during the war in extreme brutality, incidents of cannibalism, and the fighters' bizarre sartorial affectations. These things tend to boggle Western minds, as did the overwhelming support among Liberian voters for the unprincipled warlord Charles Taylor in the country's 1997 presidential election. But Ellis' persuasive analysis of Liberian religious ideology and culture does more than make sense of these strange phenomena. It offers rare insight into the way political, physical, and spiritual power can be linked and legitimized in the popular imagination—and how each can run amok in the absence of durable institutional checks and balances. A model of lucid writing, thorough research, and penetrating interpretation, this is one of the best books on Africa in recent years.

Angola Unravels: The Rise and Fall of the Lusaka Peace Process. BY HUMAN RIGHTS WATCH. New York: Human Rights Watch, 1999, 205 pp. $15.00 (paper).

Sustained by bountiful deposits of oil and diamonds and prolonged by inept politicians and their corrupt international accomplices, Angola's civil war now lurches into its 26th year. This Human Rights Watch report recounts the failures of the Angolans and the United Nations to consolidate the peace process begun by the Lusaka accord of November 1994, detailing the abuses committed by the warring parties since that date. Although rightly placing most of the blame for Angola's nightmare on Jonas Savimbi, the report also underscores the repeated inability of the U.N. to intervene decisively, take human rights violations seriously, or enforce its own sanctions. After backing Savimbi's ruinous ambitions for a decade and a half, the United States changed sides in the early 1990s and has since supported the peace effort. The report finds that had foreign governments and the U.N. done less to placate elites and more to encourage civil society, Angolans would have suffered less.

Hope for Rwanda: Conversations with Laure Guilbert and Hervé Deguine. BY ANDRÉ SIBOMANA. Sterling: Pluto Press, 1999, 205 pp. $69.95 (paper, $18.95).

Compiled by two French journalists, this moving and historically important memoir was first published in French in 1997. Sibomana, who died in 1998, was a remarkable Rwandan priest, a fearless investigative journalist, and one of his country's leading human rights activists. He speaks with passion and candor about the events leading up to the Rwandan genocide in 1994, the onset and course of the massacres, and the country's physical and psychological devastation in their aftermath. A shrewd observer of the role of foreign organizations and governments, he also offers insight into the mixed record of the personnel of the Catholic Church before, during, and after the crisis. His searching and nuanced ethical judgments are a salutary corrective to easy moralizing about Rwanda's holocaust.

Africa's Thirty Years' War: Libya, Chad, and the Sudan, 1963–1993. BY J. MILLARD BURR AND ROBERT O. COLLINS. Boulder: Westview Press, 1999, 317 pp. $65.00.

A lively, detailed, and informative study that focuses on the influence of neighboring states on Chad's long civil war. The

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

authors consider ethnic, religious, cultural, technological, geographic, and meteorological variables and present brief but enlightening political portraits of the story's protagonists. Historically situating the war within the struggle for supremacy along the borders of the Islamic world, the book seeks to explain why so many governments invested so much for so long in the control of such seemingly worthless expanses of sand and rock. The authors assess the flip-flopping policies of successive regimes in Khartoum, Muammar al-Qaddafi's efforts to annex the Aozou Strip and manipulate Chad's warlords, as well as France's ambiguous role in the conflict and the cautious interventions of the United States. What is surprising for a book so extensively researched (one of the authors is a geographer) is that its seven maps fail to locate some of the places most frequently mentioned, and an embarrassing number of editing errors mar the text.

Expectations of Modernity: Myths and Meanings of Urban Life on the Zambian Copperbelt. BY JAMES FERGUSON. Berkeley: University of California Press, 1999, 343 pp. $45.00 (paper, $17.95).

Ferguson is an astute analyst of ideologies of development and the misunderstandings they can generate. In this impressive study of economic decay and its social impact in Zambia, he brilliantly challenges the lingering assumptions of modernization theory to show how mineworkers are adapting to ever-shrinking incomes, diminished self-respect, and growing dependence on rural kinship networks for support in their old age. He focuses mainly on the micropolitical economy of the miners who make or prepare to make a painful migration back to the land. He also deconstructs the mythology of modernization that pervaded the anthropology of central Africa 40 years ago, in particular its misreading of trends in African family life. In his conclusion, Ferguson unleashes a broadside against the brutalities of a global capitalism that can so cruelly dash the aspirations of a country like Zambia and calls for a new politicized humanitarianism to push the issue of global inequalities higher on the world's agenda.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Letters to the Editor

Amos Perlmutter reveals Barak's game plan;
John Weston defends U.N. peacekeeping;
Howard Dean on Vermont's Burma law; and others

THE IMPORTANCE OF BEING ASSAD

To the Editor:

Israeli Prime Minister Ehud Barak has not misread Syrian President Hafiz al-Assad, as Henry Siegman suggests ("Being Hafiz al-Assad," May/June 2000). Barak is aware that Assad remains an anachronistic pan-Arabist who has not caught up with modern realities better understood by those Assad disdains: Palestine Liberation Organization Chair Yasir Arafat, the late King Hussein of Jordan, and the visionary Anwar al-Sadat of Egypt.

The ailing Assad wants his legacy to be steadfastness against concessions in the name of Arab honor. Although aware of Assad's rigidity, Barak hoped to be more successful in peacemaking than his predecessors by creating the widest possible coalition government. That, along with his strong electoral mandate, would make possible the concessions required for peace with Syria—but not without reciprocity.

Siegman attributes the recent stall in negotiations to the leaking of American peace proposals that embarrassed Assad and to Barak's decision not to publicize Israel's agreement to withdraw to the 1967 border until he could show skeptical Israelis what they would get from Assad in return. To make peace with Syria, Barak needs his coalition to stay intact. Therefore, he is in no position to conduct secret diplomacy or depend on "creative U.S. diplomacy." Leaking the American draft let Israelis, who are correctly suspicious of Assad, know Assad's real intentions. Most Israelis doubt that Assad wants peace and suspect he is angling for U.S. support to modernize his ailing army.

Barak has committed himself to a referendum on a peace agreement with Syria. Already, Likud leader Ariel Sharon is organizing opposition to the referendum, which will probably be based on a majority of the entire population, not a majority of those who vote that day. Barak understands that only a broad coalition government could persuade the nation to vote to withdraw from the Golan Heights and return to the 1967 border with Syria.

AMOS PERLMUTTER
Professor of Political Science, American University

STOPPING SHORT

To the Editor:

One need not be an unreserved defender of the present U.N. system to be mystified by Max Boot's review essay of William Shawcross' new book, *Deliver Us From Evil* ("Paving the Road to Hell," March/April 2000). He appears to believe that American "benevolent global hegemony" and "liberal imperialism"

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

based on U.S. power are "alternatives to the United Nations." Boot claims that U.N. peacekeeping has failed because "the U.N.'s culture breeds conciliators," and that its efforts to use force are "pathetic." But he sees no good reason (perhaps not knowing the U.N. Charter) why "great powers [should] limit their freedom of action ... over their military interventions" by committing more muscle to the U.N. At the same time, he concedes that narrow realpolitik is not enough; that in the modern world, ethnic cleansing must be curtailed; and that humanitarian intervention is sometimes unavoidable. But "wherever possible, the United States should encourage its allies to act without American involvement" because "no nation, no matter how rich, can afford to wage war without end."

On these premises, one would expect greater support for America's newly democratic friends (whom Boot welcomes) in Asia, Latin America, and Europe when they volunteer for collective military action to help keep the peace under the rules of the U.N. Charter—which was written largely by the United States. Where "the United States may have to make the heartbreaking choice to stay out" (e.g., in Rwanda, although not in Haiti), what about at least giving more consistent political support for the U.N. peacekeeping budget (still hugely in arrears) to help pay for the "Bangladeshis, Bulgarians, Brazilians, and the like" who put their lives on the line and whom Boot so insultingly dismisses? Where a U.N. force as such is not the choice, Security Council authority for regional or coalition action at least underwrites legitimacy. So even with Boot's minimalist definition of the U.N. as "an occasionally useful adjunct to great-power diplomacy," a modicum of respect for multilateral endeavors by others is plain common sense. NATO, even under the new strategy, cannot and should not do everything. That is why all the NATO allies and Japan, as well as major regional players, do their bit for the U.N.

JOHN WESTON

U.K. Ambassador to NATO, 1992–95, and U.K. Permanent Representative to the U.N., 1995–98

BURMESE DAZE

To the Editor:

As Brannon P. Denning and Jack H. McCall note, when states formed the Union, they ceded to the new federal government the power to develop and implement foreign policy ("States' Rights and Foreign Policy," January/February 2000). The United States must speak with one voice on foreign policy.

The states' role, however, is neither as narrow nor as minimal as Denning and McCall make out. For example, states play a fundamental role in America's defense, as seen in the increasing reliance on National Guard troops to project American foreign policy. State militias also played fundamental roles in safeguarding the country and, at one point, saving the Union.

Furthermore, international trade has a phenomenal impact on the states. The trade relationships between particular states and friendly nations are crucial to maintaining America's economic vitality. The states have a significant stake, therefore, in how the nation projects itself.

How do states participate in a global economy without disrupting foreign policy? Vermont passed a law last year

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to help the United States sway the unlawful regime in Burma. The law instructs any state agency that holds shares in companies doing business in Burma to vote for resolutions questioning trade with the Burmese regime. The law also allows government shareholders in these companies to do the same. In other words, Vermont as an investor now has the authority—and presumably the duty—to influence the business decisions of companies in which it invests.

I supported this law, and I believe the legislature passed it for several reasons. First, it supports American foreign policy. In fact, if the U.S. secretary of state lifts sanctions against Burma, the law sunsets. Second, the regime in Burma is universally condemned as brutal, repressive, and unlawful. Vermont is not unique in officially condemning it. Finally, the law does not attempt to ban trade or boycott companies trading with Burma. It gives the people of Vermont—who, through their government, have placed their money in corporate treasuries—a voice in the matter.

This approach to state involvement in U.S. foreign policy is fair and justified. The approach sets a high bar to state action and complements, rather than frustrates, U.S. policy. The sponsors of the bill were right to ask that Vermont add its voice to the chorus condemning the Burmese regime.

HOWARD DEAN
Governor of Vermont

NEW WORLD, BUM DEAL?

To the Editor:

Many defenders and critics of "globalization" accept as fact that global income distribution has become more unequal over the past several decades. For example, W. Bowman Cutter, Joan Spero, and Laura D'Andrea Tyson state that "as globalization has intensified, the gap between per capita incomes in rich and poor countries has widened" ("New World, New Deal," March/April 2000). Official U.N. documents also suggest a widening gap. Much growing hostility toward globalization—manifested in the streets of Seattle and Washington—is grounded in the belief that the rich are getting richer while the poor are getting poorer.

A careful examination of the World Bank's 1999 development indicators illustrates that inequality across countries neither increased nor decreased unambiguously from 1965 to 1997. However, more than 80 percent of the world's people in 1965 lived in countries in which per capita income growth to 1997 exceeded the world average (1.3 percent per year). Regionally, there were great disparities, with most of Asia converging toward the rich countries and most of Africa diverging sharply. Altogether, if one looks at income trends in the last part of the twentieth century, inequality across countries did not grow.

Between 1965 and 1997, the richest 10 percent of the world's population increased its share of the economic pie from 50.6 percent to 59.6 percent while the poorest 10 percent increased its share from 0.3 percent to 0.5 percent. As a result, the average income of the top 10 percent fell from 160 times the average income of the bottom 10 percent to 127 times. Both the richest 10 percent and the poorest 50 percent gained shares while those in the middle lost.

Comparing the performance of developing countries with the performance of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

rich countries also produces mixed results. Average income in the 15 richest countries in 1965 grew at 2.1 percent per year to 1997 (the United States grew at 1.6 percent per year). Per capita income growth was higher in 20 developing countries, of which the most populous 9 are Brazil, India, Pakistan, Egypt, Malaysia, Indonesia, Thailand, Korea, and China. These 9 countries alone have more than 2.8 billion inhabitants, compared to fewer than 700 million in the richest 15 countries and about 5 billion in all 105 countries examined.

Thus, although income in most poor countries diverged from incomes in the rich countries, the great majority of people live in developing countries where incomes have been converging toward the rich countries. Other evidence suggests that, far from increasing inequality, the globalization of industrial capitalism may well be behind the rapid income growth for many of the world's poor, accelerating the convergence process rather than undermining it.

BERNARD WASOW
Senior Fellow, Century Foundation

COLORBLIND

To the Editor:

Martin N. Baily, Diana Farrell, and Susan Lund rely on two widely accepted propositions ("The Color of Hot Money," March/April 2000). First, lending by private banks to developing countries, rather than hedge-fund trading, has been the principal cause of the recent bouts of global financial instability. Second, this serious problem can be solved by developing capital markets, which would reduce dependence on short-term bank lending as the principal source of financing in developing countries, thereby making international capital flows less volatile. But why has their rather obvious prescription—capital market development—proven unattainable in all but a handful of developing countries?

An extraordinary amount of expertise and financial resources has been devoted to solving the problem. Hundreds of technical-assistance missions have been launched in the past two decades or so by the International Monetary Fund, the World Bank, the International Finance Corporation, and virtually every other development institution. Parallel to the work of these financial-sector experts, the same institutions have extended hundreds of millions of dollars in loans to develop capital markets. The results have been disappointing by any standard.

The question, of course, is why countries fail to develop their capital markets. At the top of the list of explanations is the absence of political will to follow through with recommended reforms, since they typically involve regulatory liberalization and other measures that will alter the traditional competitive landscape. These proposals often raise political hackles and threaten formidable coalitions of private- and public-sector stakeholders. Although public officials may pay lip service to the obvious benefits of capital market development, more often than not they are reluctant to expend the political capital necessary for reform, particularly when it requires legislative battles or confrontations with entrenched business interests.

Second, creating the essential legal and private-sector infrastructure for public securities markets is far more complex, demanding, and disruptive than establishing the necessities for a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

banking system. Entire new businesses must be created. The recruitment and training alone of a new class of skilled professionals is a daunting task. And capital markets develop only when credible legal and regulatory frameworks are in place, combined with effective enforcement that establishes standards of behavior and defines the rights and responsibilities of all parties involved in financial transactions. When one considers that the U.S. Congress took more than 15 years to pass a banking reform bill, the magnitude of the political challenge becomes clear.

Third, capital markets develop only as fast as the demand for funds by a credible class of issuers within the country. But to gain market access, those who seek investment capital must first adopt corporate governance practices that instill confidence in prospective investors, such as standardized financial accounting and reporting procedures, the protection of minority shareholder rights, and the acceptance of independent boards of directors. Here again, traditional stakeholders are understandably suspicious of unfamiliar changes that require a level of transparency and accountability that runs counter to deeply embedded business practices.

Too often, experts give short shrift to the political and cultural obstacles to their recommendations, as well as the massive requirements for educating and training a new class of professionals. Prescribing remedies for poorly developed capital markets is the easy part. Making them happen has proven more difficult.

ROGER LEEDS

Professor and Director, Center for International Business and Public Policy, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University

To the Editor:

In "The Color of Hot Money," the authors argue that bank debt, not hedge funds, represents the destabilizing "hot money" in global capital markets and conclude that "markets will stabilize as more financial instruments begin to adjust through price rather than quantity." Unfortunately, they mischaracterize the behavior of bonds, stock, and bank debt, along with various market participants, including hedge funds.

When loans are due, banks can "adjust" their price by increasing interest rates to reflect changing market conditions. They are not limited to adjusting the quantity of lending—contrary to what Baily, Farrell, and Lund argue. The new interest rate may be high, but the borrower has the option to pay it, thereby extending the loan and keeping liquidity in the system. Although banks can and do refuse to roll over loans, their refusal to relend does not make them "irresponsible." They are reacting to deteriorating market fundamentals and have a responsibility to protect shareholder capital.

Second, banks cannot avoid default by declining to roll over loans. Banks can avoid default only by getting paid. Third, loans can be sold by banks, thereby allowing those instruments to adjust through price, not quantity.

With respect to the behavior of bonds and equities, it is unclear what the authors mean by "because prices fall immediately, an investor has no time to sell without incurring a loss." Investors frequently take a small loss hoping to avoid a more significant one.

Equity and bond managers do not always have an incentive to ride out market corrections. Many find better

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

uses for their capital. Furthermore, their own liquidity needs—often driven by investor withdrawals—may require them to sell. One cannot, therefore, treat equity and debt capital as inherently stable due to the price adjustment mechanism. Portfolio managers are not necessarily more flexible in reacting to risks than banks are, since they are subject to investor withdrawals if performance suffers. They, too, have their "hot money" fears.

The authors also mischaracterize hedge funds. Most hedge funds, although technically unregulated, provide substantial disclosure, having discarded their penchant for secrecy in order to attract institutional capital. Furthermore, most hedge funds, although admittedly not all, are relatively conservative investment vehicles that use relative-value, event-driven, or hedged-equity strategies. Their true absolution from the "hot money" label comes from the fact that the overwhelming number of hedge funds do not use the aggressive, macro-oriented trading strategies that have often been blamed inaccurately for global market instability.

MARTIN J. GROSS
President, Sandalwood Securities, Inc.

EUROSKEPTICISM

To the Editor:

Niall Ferguson and Laurence J. Kotlikoff's new method of accounting—generational accounting—suffers from the same weakness as other forms: what you get out of it depends on what you put in ("The Degeneration of EMU," March/April 2000).

They conclude that European governments face a choice between unprecedented tax hikes or drastic government spending cuts, based on the assumption that current policies apply forever. But governments can learn. Some European governments have already made changes to ensure that their pension systems will be reasonably robust in the future. Those that have yet to implement changes, such as the French government, are only waiting for an electorally favorable period to act. Ferguson and Kotlikoff's argument implicitly excludes solutions that would not only be simple to implement but might even prove highly popular.

European governments are in a tangle partly because, in the wake of the first two oil-price shocks, many of them decided to pay old workers to stop working, introducing attractive early-retirement schemes. The effective age of retirement has fallen steadily. The idea was that old workers would leave so that young workers could find jobs. This policy has probably made inflation pressures worse and reduced output—in other words, made European unemployment worse, not better.

Once implemented, reforms of this kind are extremely difficult to reverse. The problem now is to get people to stay at their jobs longer. If successful, this would considerably ameliorate the budgetary problems.

In high-tax Europe, persuading people to stick to their jobs should be easy. Governments could exempt, or partially exempt, from income tax those who continue working past the standard retirement age. The supply of mature labor would increase by leaps and bounds. Perhaps then, the economic and monetary union (EMU) would survive.

HILARY BARNES
Editor, The Scandinavian Economies

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

To the Editor:

According to Niall Ferguson and Laurence J. Kotlikoff, some EMU members will opt to leave the eurozone to pursue a more inflationary policy—thereby reducing the value of their debts, even as their currency becomes worthless. This argument is faulty for three reasons.

First, despite the fact that secession from EMU is simply not allowed by the Maastricht Treaty, the political cost would be so large (including the possible breakup of the European Union itself) that a bailout (also forbidden by the treaty but much less costly) would be preferable to any serious separation plan.

Second, Ferguson and Kotlikoff underestimate European governments, as well as their capacity to address their unsustainable fiscal stance more reasonably. Here, recent history is a good guide. Whoever thought that Italy would join EMU in 1999 and Greece in 2001? Even though Italy cheated at the margins (as did Germany), the fiscal adjustment has been astonishing by the standards of Italian politics.

Third, in modern economies with efficient tax collection and open financial markets, inflation does not really emerge as a natural "last resort" solution to fiscal insolvency. Higher taxes and lower spending could well work better. Strangely, the authors forget to mention that inflation is just another tax: a tax on nonindexed assets. On average, European households are big net savers and prefer to invest in public bonds. A one-shot tax on wealth (proposed in the mid-1990s to cut Belgium's public debt) would likely be preferred to the inflation tax. Splitting EMU to allow member states to default on their obligation through inflation is silly if one agrees that there exist other, politically less costly ways to restore government solvency.

XAVIER DEBRUN

Postdoctoral Fellow, Department of Economics, Harvard University

Foreign Affairs (ISSN 00157120), July/August 2000, Volume 79, Number 4. Published six times annually (January, March, May, July, September, November) at 58 East 68th Street, New York, NY 10021. Subscriptions: U.S., $44.00; Canada, $54.00; other countries via air, $79.00 per year. Canadian Publication Mail–Mail # 1572121. Periodicals postage paid in New York, NY, and at additional mailing offices. Postmaster: Send address changes to *Foreign Affairs*, P.O. Box 420235, Palm Coast, FL 32142-0235. From time to time, we permit certain carefully screened companies to send our subscribers information about products or services that we believe will be of interest. If you prefer not to receive such information, please contact us through Palm Coast Data at the address indicated above.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED